

# TSOLWANA LOCAL MUNICIPALITY



DRAFT

# ANNUAL REPORT 2010/11

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## **Part 1: Introduction and overview**

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9. Water distribution function's performance
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## PART 1: INTRODUCTION AND OVERVIEW

### A. Foreword by the Mayor

Section 121(1) of the Municipal Finance Management Act No. 56 of 2003 demands that "every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this chapter (chapter 12 of the MFMA). Coupled to that, section 46 of the Municipal System Act, 32 of 2000, 46(1) demand that a municipality must prepare for each financial year a performance report and such annual performance report must form part of the municipality's annual report, in terms of section 46(2). It is in terms of the above pieces of legislation that I present before you the 2010-2011 annual report.

This annual report is an account of the Tsolwana municipality's achievements in the year under review and with any rigorous instruments it does not hesitate in pointing out where the municipality has fallen short.

Our main objective as Tsolwana municipality has always been to provide quality services to all our communities. In doing that we are guided by our Integrated Development Plan which focuses among other things provision of free basic services to the poor households, eradication of poverty, and provision and maintenance of recreational facilities to our young people.

Our IDP reflects a number of priorities. Through the review process over the last three (3) years, priorities such as infrastructure provision, water and sanitation provision eradication of bucket system and local economic development have been consistently identified.

As the Tsolwana Local Council, we place emphasis on the communities we serve and through a number of policies and programmes like the Integrated Development Plan, the Spatial Development Framework, the Housing Sector Plan and the Tourism Sector plan, we are hoping to better our people's lives by creating employment opportunities through tourism, agriculture and the creation of an enabling environment to encourage local economic growth and development.

Can I be the first one to recognise progress that has been made by our municipality in so far as audit opinion on our financial statements is concerned. The municipality did not only take a risk of complying with Generally Recognised Accounting Principle a year earlier than expected but went on to achieve an UNQUALIFIED AUDIT OPINION which is a great achievement indeed.

In conclusion, may I thank my fellow councillors for their support and commitment to council business, the Municipal Manager and his staff for the commitment and willingness to improve in all that they are doing and the ward committees and the members of the public for always being there for us.

## B. The yearly program priorities statement by the Municipal Manager

Report is published in terms of Chapter 12 of the Finance Management Act 53 of 2003 and also covers the requirement of section 46 of the Municipal Systems Act..

Tsolwana Local municipality strives to achieve service excellence in all areas of operations and this report attempts to give a substantial insight into the workings of the municipality.

The year under review, ending on the 30 June 2011 has not been an easy year given the fact that the country went through third local government election on the 18 of May 2011. What made matters worse for the municipality is the resolve by the council and management to do away with the tag of being regarded as low capacity municipality by deciding to implement the Generally Recognized Accounting standards two years before we were expected to comply with the requirements of GRAP. For the year under review the municipality became fully GRAP compliant by implementing a **GRAP COMPLIANT INFRASTRUCTURE REGISTER**, one year ahead of the deadline for low capacity municipalities like ours. We still managed to improve in terms of our audit opinion from a **qualified to an unqualified audit report** and that is the major highlight for the year.

Although the municipality underspent most of its budget but some areas of priority in terms of our Service Delivery and Budget Implementation Plan (SDBIP) needs some mentioning. Those include but not limited to the following

Under financial viability we had projects like the full implementation GRAP including compilation of Annual Financial Statement and infrastructure register in a GRAP format.

A project on cleansing of the billing database to ensure that consumers are charged correct amounts and receive accounts on time. Full implementation of this project will occur during the 2011/12 financial year. Projects falling under institutional development included provision for quarterly internal auditing of the performance information. It is submitted upfront that this is the area that will need more concentration from management in order to respond to some of the findings of the Auditor General. On performance management system the municipality went further to sign a Service Level Agreement with labour unions that allows cascading of the PMS to lower levels of our employees which is an achievement on its own given the views of unions on this matter.

A cross cutting project (in that it affects both financial viability in terms of revenue generation and creating office space in order for the municipality to appoint people in key positions) of extending office space also needs mentioning. Although the budget of R1 000 000 was set aside , no expenditure was incurred in this budget vote. Reason for that being the target for the year under review was to appoint a consultant to assist with designs and project management and that has been achieved. Another project in which the municipality underspent is the establishment of a motor and licensing centre. This project is linked to appointment of Traffic Officers and think that it is going to positively contribute in curbing the road accidents that happen on R61 between Cradock, Tarkastad and Queenstown. Four young people are

currently undergoing a learnership in Port Elizabeth and will be placed immediately after they have completed their studies.

We pride ourselves for having, for the first time, spent 100% of our Municipal Infrastructure Grant allocation within the (local government) financial year. The projects undertaken included the following:

- Construction of Thornhill Sport Facility in ward 1
- Upgrading of Mitford and Rocklands Access Road in ward 2
- Extension of Bacclesefarm and Springgroove Community Halls in ward 3
- Construction of Zola Township Sport Facility in ward 4 and
- Construction of Twinsville Township Sport Facility in ward 5.

One of the highlights for the year was the signing of a Service Level Agreement with the Department of Roads and Public Works that will ensure investment of R106 000 000 in our internal roads network. This will include surfacing of the road that starts at Thornhill village and run through Ntabethemba to Tsolwana Game Reserve. We see this as rural development in practise and this project will change the lives of the people of Ntabethemba for the better.

Lastly, I am aware of the gaps in performance and the challenges that will come with having to maintain the unqualified audit opinion and our resolve to achieve a clean audit opinion during the 2012/13 financial year. My appreciation goes to the council for political guidance and all of my staff for remaining focused and committed to our cause.

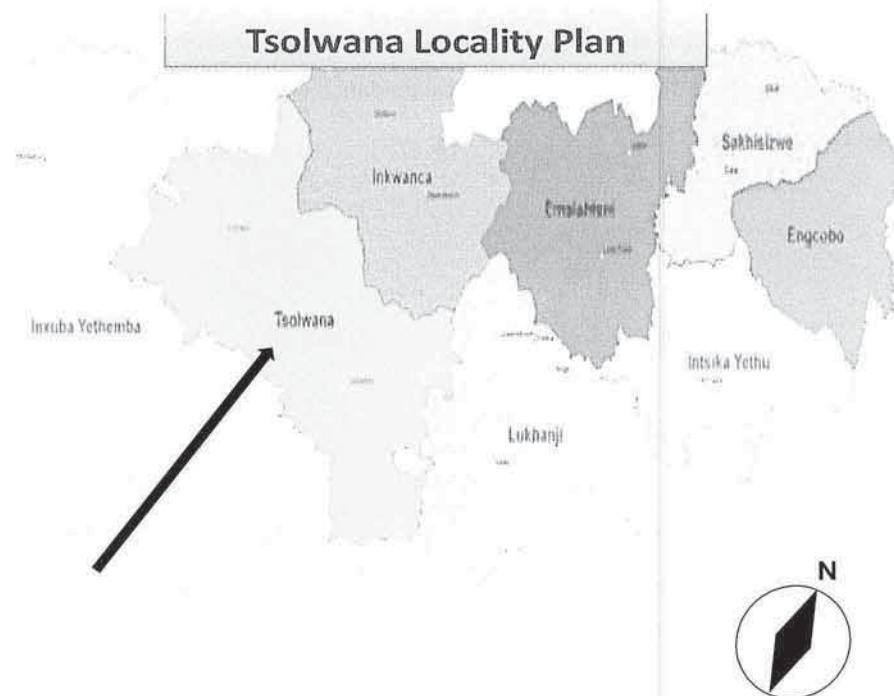
### C. Overview of the Municipality

#### (a) Geographic and demographic profile

Tsolwana Municipality is situated within Chris Hani District Municipality (CHDM) of Eastern Cape Province. It is bounded on the east by Inkwanca and Lukhanji Municipalities, on the west by Inxuba Yethemba Municipality, on the north by Ukhahlamba District Municipality and on the south by Amathole District Municipality. Tsolwana Municipality is an amalgamation of the following areas.

- Former Tarkastad TLC and TRC (Republic of South Africa)
- Former Hofmeyr TLC and TRC (Republic of South Africa)
- Former Ntabethemba TRC (Republic of Ciskei)

Tsolwana Municipality has two main urban nodes, Tarkastad and Hofmeyr, which are surrounded by commercial farmland in the former Tarkastad and Hofmeyr areas and about 11 rural villages scattered within the former Ntabethemba area, including Thornhill, Mitford, Rocklands, Tendergate, etc). Tarkastad, the Municipal seat, is located along the Queenstown and Cradock R61 road. It is roughly 64km from Queenstown and 81km from Cradock. From the two major airports in the province, Tarkastad is 365km from Port Elizabeth and 257 from East London.



## DEMOGRAPHIC PROFILE

This section outlines the demographic profile of the Tsolwana municipality. In an attempt to improve and update statistical planning information various sources have been used and referenced to inform the analysis in this section.

### Population

The total population living in Tsolwana is estimated to be 30952 people and 8493 households (Global Insight: 2008). Using these estimates, the average household size is approximately 4 persons per household.

The trends experienced by Tsolwana during the period 1996 -2008 show a steady decline similar to that experienced by the Chris Hani district over the same period.

Tsolwana is a largely rural municipality with the majority of its households residing in rural settlements. At least about 27% live in urban and peri-urban settlements. Another 16% are farm dwellers. The figure below illustrates this point further.

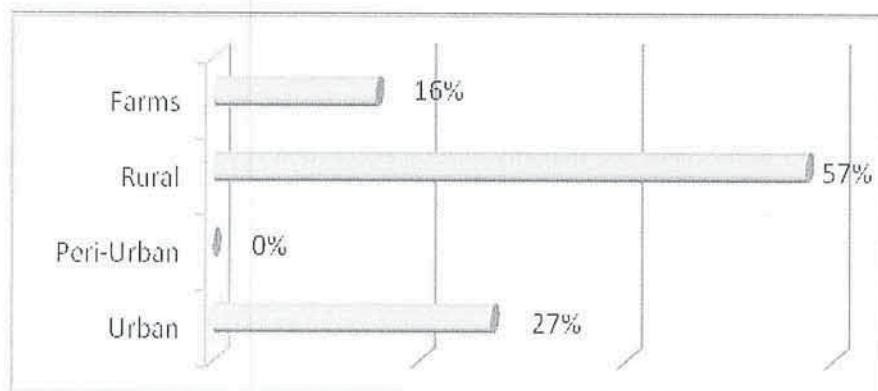


Figure 1: Household spatial distribution

### Population gender & age distribution

Tsolwana population make-up is similar to that experienced by the country with 48% males and 52% females. The majority of population are females (51%) compared to males (49%). The fact that females constitute the majority of population suggests that targeted strategies should be implemented to ensure effective participation of women in the processes of municipal planning and implementation. The following figure shows age distribution patterns within the Tsolwana population.

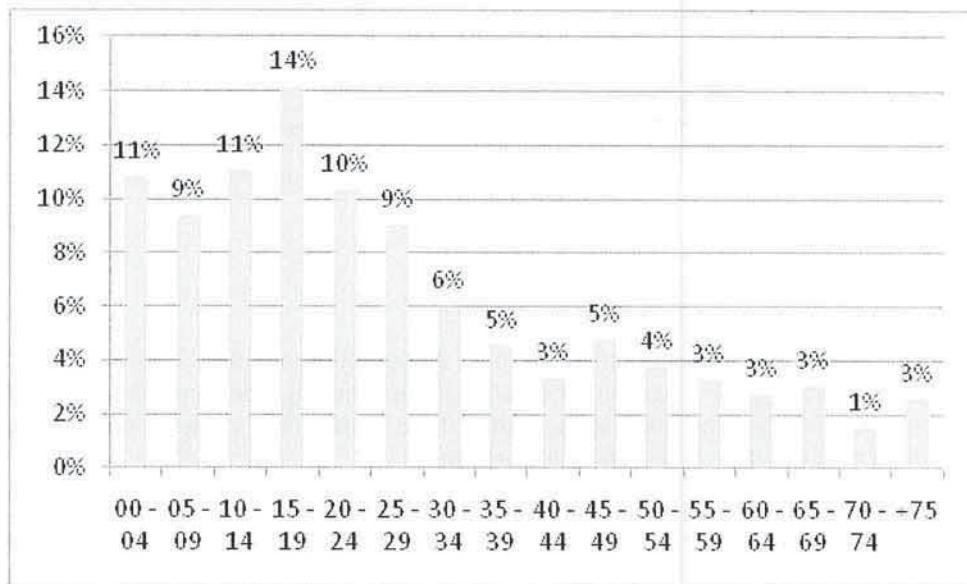


Figure 2: Population Age distribution (Global Insight: 2008)

The figure above shows that Tsolwana has a very youthful population. There are more people in the school leaving ages of 15 – 19 years. Since the majority of local population is youth, the municipality will have to prioritise youth development programmes.

#### SOCIO-ECONOMIC CONTEXT

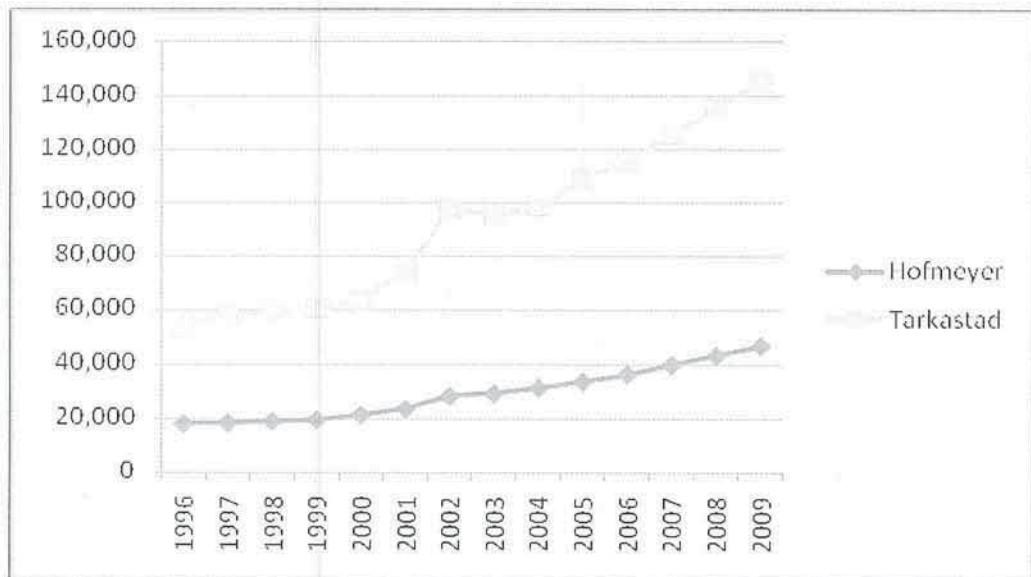
##### Overview of economic development in Tsolwana

Tsolwana has no clear LED strategy to guide its interventions. This is despite the fact that LED is identified as the second most important focus area for 2010/11. A project has been identified for the development and implementation of a LED strategy in 2010/11. Funding is being sought from sources such as DM, DPLG, ECDC, SEDA and DEDEA.

##### Economic Development Indicators

###### Gross Development Product

The GDP of Tsolwana has steadily grown from about 72 million for the two towns of Tarkastad and Hofmeyr in 1996 to approximately 142 million by end of 2008 (Global Insight) and currently estimated at 191 million by end 2009. The following figure shows GDP growth trends over the last decade.



### Tress Index

Tress index is a useful indicator of progress and depth scale in an economy. The Tress index indicates the level of concentration or diversification in an economy. It is estimated by ranking the nine sectors according to their contributions to GVA or employment, adding the values cumulatively and indexing them. A tress index of zero represents a totally diversified economy, while a number closer to 100 indicates a high level of concentration.

Tsolwana economy is poorly diversified when compared to that of the Chris Hani region. The tress index for Tsolwana is 71.94 while that of Chris Hani remains 65.12.

Based on the above figure it can be deduced that Tsolwana has a highly concentrated economy with Agriculture and community services being highly dominant contributors. This situation is unsustainable and needs to be reversed by increasing investments that will unleash the locked potential in other important local sectors like Manufacturing, Tourisms and informal sector.

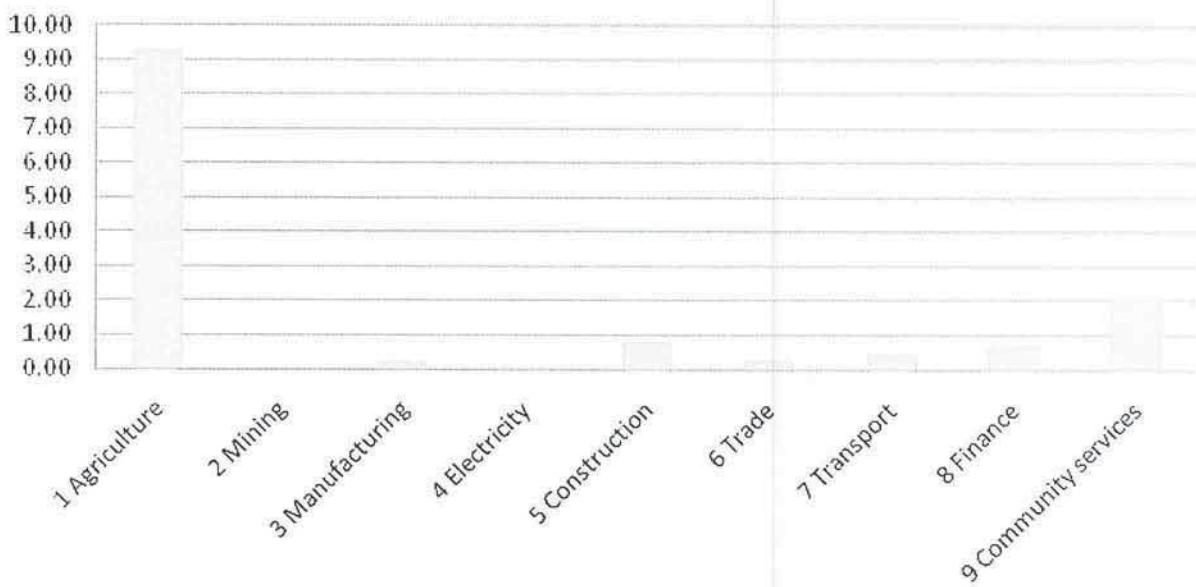
### Location Quotient

In order for us to improve our economy it is important to consider improving our location quotient. Location quotient is an important indicator of the economy's competitive advantage. It indicates the extent to which an economy has a competitive advantage in a particular sector.

When comparing the nine broad economic sectors, Tsolwana can compete relatively better if the local economy can concentrate productivity on Agriculture and Community services. This is notwithstanding the need to diversify contributions of other underperforming sectors mentioned earlier.

The figure below shows that our economy can compete in two important sectors such as Agriculture and Community services.

## Location Quotient for Tsowana: 9 Broad Sectors

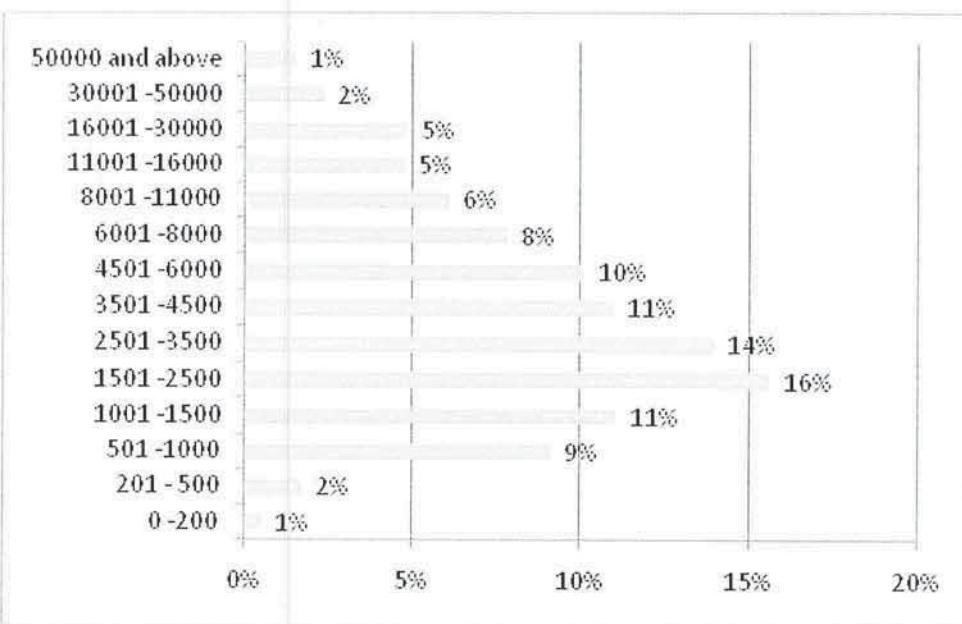


### Poverty GAP

The gini coefficient is a useful indicator of income inequality. It measures income inequality, and often varies from 0 (in the case of perfect equality where all households earn equal income) to 1 (in the case where one household earns all the income and other households earn nothing). In practice the coefficient is likely to vary from approximately 0,25 to 0,70. Tsolwana has a gini coefficient of 0.57 by 2008 (Global Insight)

### Household Income Distribution

Household income is a useful proxy for understanding levels of income poverty. Approximately 23% of households earn a gross income of no more than R1,500 per month. Another 16% earn between R1500 and R2500 per month. This implies that nearly 40% of households could be deemed as indigent. That leaves the municipality with just about 60% of households that they can provide services to and expect to pay. Below is a figure illustrating a household income distribution pattern within Tsolwana municipality.

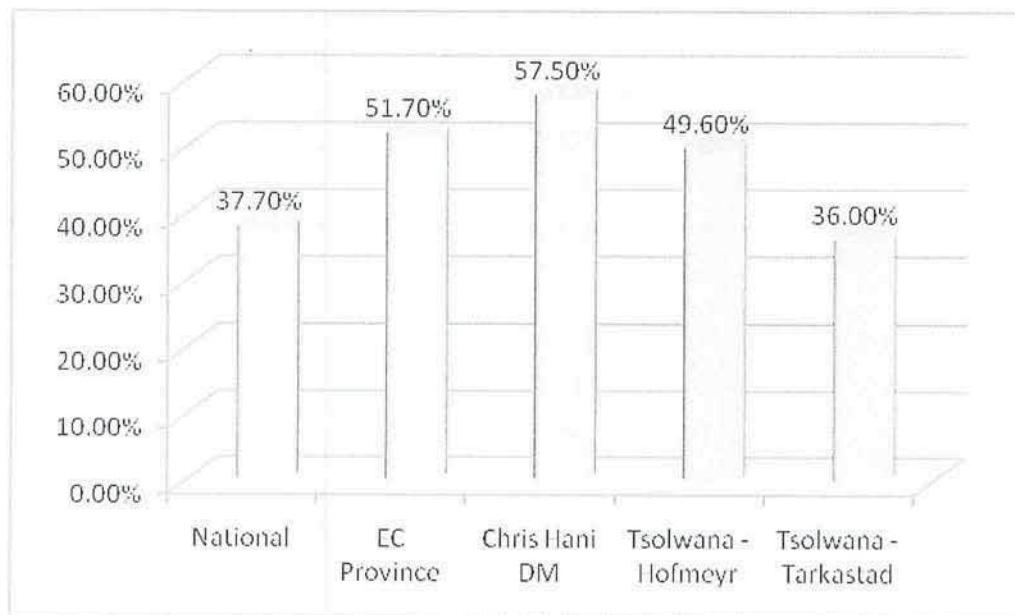


## Unemployment

Unemployment is a major development challenge in Tsolwana. According to research done by Global Insight, unemployment in Tsolwana is estimated to be higher than that of the country but lower than that of the district and EC Province respectively. It is estimated to be about 40% (using the official definition).

About 18% of the population in 2008 is economically active. The economically active population (EAP) is defined as the number of persons that are able and willing to work between the ages of 15 and 65. It includes both employed and unemployed persons.

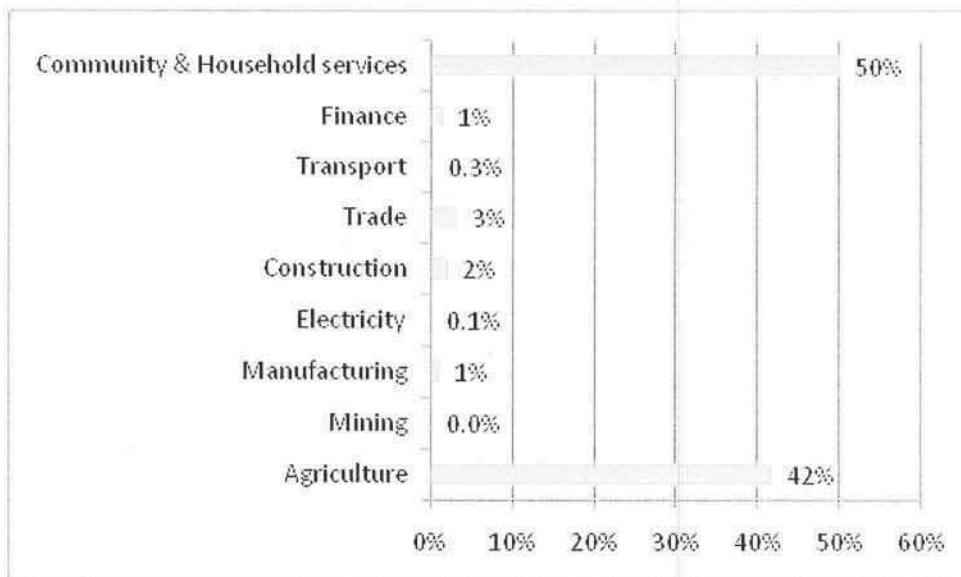
In Tsolwana, the distribution of unemployment is largely concentrated in the Hofmeyr areas when comparing the two urban centres. The figure below gives a comparative view of unemployment distribution within Tsolwana core urban centres as well as between Tsolwana and the district, province and country, respectively.



## **Formal Employment by sectors**

According to Global insight statistics of 2008, Community services have surpassed Agriculture as the main source of employment. It accounts for 50% while Agriculture contributes about 40% of employment opportunities.

Finance sector is the third largest employment industry in the local economy. It accounts for 14.1% of existing jobs. This situation is not sustainable and there is a need to develop as part of the LED strategy, dedicated strategies to diversify the economy and to boost growth in other important sectors that show potential. Tourism is one of those sectors.



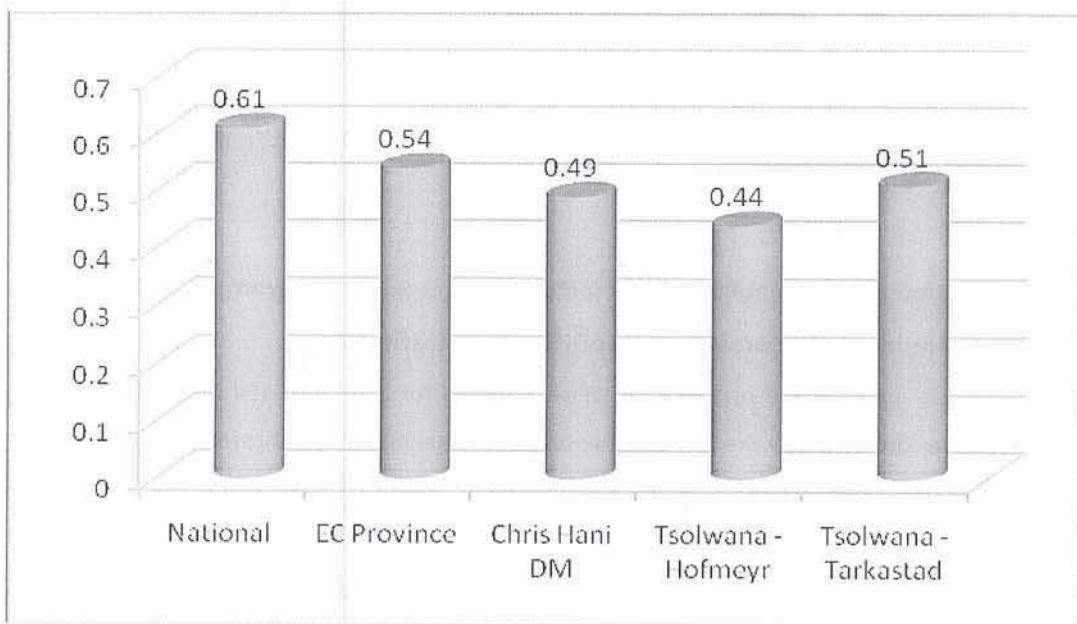
**Figure 3: Formal employment by sectors**

## **Human Development Index**

The human development index (HDI) is a useful mechanism to gauge the level of development of a local economy. The HDI is a composite, relative index that attempts to quantify the extent of human development of a municipality (area). It is based on measures of life expectancy, literacy and income.

The HDI is calculated as the average of indices of life expectancy at birth, adult literacy and per capita income. For a municipality to be well developed, it must a

chieve a HDI closer to 1. The closer the figure is to 1 the better the lifestyle. The figure below gives a comparative HDI for Tsolwana.



Tsolwana has a human development index of 0,51 for Tarkastad and 0.44 for Hofmeyr. In comparison to the district as a whole Tarkastad enjoys better lifestyle than the average district areas while Hofmeyr lags behind the average area in the district. This point reinforces the view that there is higher concentration of poverty and declining lifestyle in Hofmeyr than in the Tarkastad and surrounding areas. There is a need therefore to design targeted interventions for LED to alleviate this strife in Hofmeyr areas.

#### **General macro-level challenges of the local economy**

The Tsolwana economy is not growing at optimal levels and this must be thoroughly investigated and addressed as part of the planned process for establishing a comprehensive LED strategy.

## **PART 2: KPA ACHIEVEMENTS REPORT**

### **CHAPTER 1: INSTITUTIONAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT : KPA 1**

#### **1.1 Presentation of the organisational structure (approved organogram) ( ANNEXURE A)**

##### **The total number of approved posts of the entire institution**

The municipality has an approved organogram which provides for a total of 154 posts. The change in the number of posts was prompted by the fact that the previous organogram is not catering entirely for the goals and objectives of the municipality as expounded in the Integrated Development Plan and the revised organogram suggested additional posts. However it is emphasized that not all positions in the organogram will be filled in one financial year due financial constraints. Only key posts as identified by the council will be filled on a particular financial year.

##### **The total number of the vacant posts in the entire institution**

The total number of vacant posts in the municipality is currently standing at 105.

#### **Submissions of employment and performance contracts of the Municipal Manager and section 57 Managers**

The municipality has five directorates which includes the office of the municipal manager. During the year in review the performance contracts for all managers, except for the Technical Services Manager who has been on suspension since October 2010, were signed and submitted within the prescribed time to the Member of the Executive Council responsible for Local Government and Traditional Affairs. The contract of the Technical Services Manager has subsequently come to an end in September 2011 and has not been renewed. Recruitment of his replacement has begun.

#### **1.2 Staff development initiatives during the financial year**

The municipality developed, adopted and submitted a workplace skills plan for the year under review. However a deviation from the original has occurred as the municipality prioritised acquiring of driver's license for key personnel. This was necessitated by the fact that some key personnel would attend meetings outside the municipal boundary would have to be allocated a driver and that was seen as being counter-productive.

A Human Resources Plan has been developed with the assistance from the department of Local Government.

#### **1.3 Key HR statistics per functional area**

- 1. Full time staff complement per functional area (examples are given below)**
  - a. MM/Section 57 and Line Managers

	Approved positions (e.g MM-S57 etc...)	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Municipal Manager	1	1	0
2	Chief Finance Officer	1	1	0
3	Corporate Service Manager	1	1	0
4	Community Services Manager	1	1	0
5	Technical Services Manager	1		1
	Total	5	4	1

#### Top Structure: Office of the Municipal Manager

	Approved positions (e.g MM-S57 etc...)	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Internal Auditor	1	0	1
2	IDP & Policy Coordinator	1	0	1
3	Personal Assistant to Mayor and MM	1	1	0
4	Communication Officer	1	0	1
5	Customer Care Practitioner	1	0	1
	Total	5	1	4

#### Budget & Treasury Office

	Approved positions (e.g MM-S57 etc...)	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Accountant Expenditure	1	1	0
2	Accountant Income	1	1	0

3	Supply Chain Management Officer	1	1	0
4	Budget & Treasury Officer	1	1	0
5	Basic Services Officer	1	0	1
6	Creditors Clerk	1	1	0
7	Grants, Asset & Asset Mngmt Clerk	1	1	0
8	Supply Chain Clerk	1	1	0
9	Asset Management Clerk	1	1	0
10	Grant & Asset Expenditure Clerk	1	0	1
11	Salaries Clerk	1	0	1
12	Senior Revenue Clerks	2	2	0
13	Debtors Clerk	1	0	1
14	Data Capturer	1	0	1
15	Cashiers	4	4	0
16	Meter Readers	4	4	0
	Total	23	18	5

#### Corporate Services Department

	Approved positions (e.g MM-S57 etc...)	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Human Resources Officer	1	1	0
2	Personal Assistant for all managers	1	1	0
3	Administrative Officer	1	0	1
4	Archives & Records Clerk	1	1	0
5	Receptionist	1	1	0
6	Skills Development Facilitator	1	0	1
7	Messenger Driver	1	0	1
8	Cleaners	2	2	0

	Total	9	6	3
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### Community Services

	Approved positions (e.g MM-S57 etc...)	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Development Officer	1	1	0
2	Land & Estates Officer	1	1	0
3	Librarian Officer	1	0	1
4	Agriculture Projects Coordinator	1	1	0
5	LED Assistant	1	1	0
6	Special Programmes Unit Coordinator	1	1	0
7	HIV/AIDS Field worker	1	1	0
8	Library Assistants	2	2	0
9	Foremen	2	2	0
10	Drivers: Refuse Removal	3	2	1
11	Security Officers	4	1	3
12	General workers	30	22	8
13	Caretakers Community Halls	5	5( contract workers)	5
14	Pound Masters	2	2( contract workers)	
	Total	56	38	18

## Technical Services

	Approved positions (e.g MM-S57 etc...)	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Building Control Officer	1	1	0
2	Administrative Support: PMU	1	1	0
3	Town Planner	1	0	1
4	PMU Manager	1	0	1
5	Engineer: Planning & Design	1	0	1
6	Civil Technician	1	1	0
7	Technician: Electricity	1	0	1
8	Solid Waste Technician	1	0	1
9	General Handyman	1	0	1
10	Unit Supervisors: Water & Sewerage	2	2	0
11	Public Works Superintendent	1	0	1
12	Public Works Mason	1	0	1
13	Team Leader: Plant Operation	1	0	1
14	electricians	2	0	2
15	Truck drivers	2	0	2
16	Light Plant Operators	3	0	3
17	Tractor drivers	3	3	0
18	Semi Skilled: General Workers	4	0	4
19	General Workers: Sanitation	8	8	0
20	General Workers: Water	20	16	4
	Total	56	32	24

**2. Technical staff registered with professional bodies**

Technical Service (e.g water, electricity etc...)	Total number of technical service Managers	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body
	1			1

**3. Levels of education and skills**

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/accredited professionals training
105	63	28	14

**4. Trends on total personnel expenditure**

Financial Years	Total number of staff	Total approved operating Budget	Personnel expenditure (salary and salary related)	Percentage of expenditure
2008- 2009	75	12 537 072	601 482	48%
2009-2010	63	18 390 713	6 873 528	37.37%
2010-2011				

**5. List of pension and medical aids to whom employees belong (please add if necessary)**

Names of pension fund	Number of members	Names of medical Aids	Number of members
South African Local Authority	64	Bonitas	1
Cape Joint	49	Samwumed	17
		LA Health	7

#### **1.4 Senior officials' wages and benefits (even if included in the financial statements);**

##### **1.4.1 Political Office Bearers**

Mayor / Speaker R421 260

Councillors R1 320 343

##### **1.4.2 Senior Officials**

Municipal Manager R642 071

S57 Managers R1 941 461

#### **1.5 Implementation of the Performance Management System (PMS):**

The municipality developed and adopted a Performance Management system ( PMS). The PMS is currently only applicable to senior employees. One of the targets for the year under review was to reach sign an Service Level Agreement with organised labour. An SLA was signed but there are some issues that have to be resolved with the unions. In essence the PMS is still applied at the top level only.

#### **1.6 Annual performance as per key performance indicators in municipal transformation and organizational development**

	Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
1	Vacancy rate for all approved and budgeted posts;	154	105	70%	Municipality gradually filling positions according to availability of budget and their importance to its programmes
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	5	5	100%	
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	5	5	100%	
4	Percentage of Managers in Technical Services with a professional qualification	2	1	50%	
5	Percentage of municipalities within the district area that have a fully functional Performance Management System (DM only)	n/a			N/A
8	Percentage of staff that have undergone a skills audit (including competency	63	63	100%	Missing employee are

	profiles) within the current 5 year term				those who were appointed after the date but will be included in the next round
9	Percentage of councillors who attended a skill development training within the current 5 year term	9	9	90%	
10	Percentage of staff complement with disability	0	0	0%	Difficult to attract people from the designated groups due to geographical nature of municipality
11	Percentage of female employees	27	50	28.35	Gradually increasing the number with the new appointments which focus on females
12	Percentage of employees that are aged 35 or younger	30	28		No will increase as the recruitment processes occur

#### **1.7. Major challenges and remedial actions in regard to human resource and organizational management**

##### **1.7.1.2. RESISTANCE TO PERFORMANCE MANAGEMENT SYSTEM**

The municipality has a Performance Management System (PMS) which was approved by council. The system currently only applies to 557 employees and has so far not been cascaded to lower levels reason being that the Labour was resisting participation in PMS. A Service Level Agreement has been signed with the Labour Union in respect of their participation in the PMS. It is hoped that by the beginning of 2012 performance agreement will be signed with all staff members thereby ensuring their participation in the PMS

##### **1.7.1.3. CHALLENGES ON DEVELOPMENT OF NEW ESSENTIAL SERVICES AGREEMENT.**

The municipality has in the year under review encountered problems in the development of the Essential Services Agreement. The problem arises from the disagreement on the numbers of people to be allowed to

participate in a strike and those that should remain and continue with essential services. Various engagements were entered into but have so far not yielded the desired results. These included engagements of external advice from the SALGBC which will form the basis of the one that will soon be developed.

## CHAPTER 2: BASIC SERVICE DELIVERY PERFORMANCE HIGHLIGHTS (KPA2)

### 2.1 Water services (max 2 pages)

- c. Annual performance as per key performance indicators in water services
  - No information provided in KPI 2, not sure whether it is not provided deliberately or an error.
- d. Major challenges in water services and remedial actions
  - In this section the municipality is expected to clearly indicate the challenges relating to water provision within its jurisdiction and propose what needs to be done to address them.

### 2.3 Sanitation (max 2 pages)

#### a. Sanitation services delivery strategy and main role-players

Briefly mention the municipality role in regard to sanitation services delivery. Present the players involved and their role in sanitation provision within the municipality.

#### b. Level and standards in sanitation services

This section presents the municipality definition of low and high level access to sanitation services by the population as well as the low and high quality standard of sanitation provision. This understanding of the level and standard should be the justification for setting yearly targets and reporting achievements.

### 2.5 Waste management (max 2 pages)

#### 1. Waste management services delivery strategy and main actors

The municipality has the constitutional mandate to service its constituency in terms of service delivery, of which waste management is one of the core functions of this purpose. Also the municipality has a mandate of keeping its environment clean so as to better the living conditions of its communities. It is the duty of each local authority or municipality to ensure that its constituency is living in better conditions and its people are not subjected to deceases that may emanate from the filthy conditions. The municipality has a very vibrant staff that is committed to render this service. This municipality has a dedicated staff in both urban areas which are Tarkastad and Hofmeyr. The municipality has landfill sites where we dispose the waste in both urban areas. The challenge that we are having with these sites is that they are not registered and the registration process has been commenced with. The first phase of the registration process was the undertaking of a feasibility study. Phase was completed by the 30 June 2011 and the actual registration process will be undertaken during the 2011/12 financial year. As part of the endeavours to ensure that a quality service is rendered, the municipality budgeted .....to fence off the two land fill sites. Funding has been sought to both the Department of Environmental Affairs and Chris Hani District Municipality and a response is still awaited for.

a. Waste management services delivery strategy and main role-players

The municipality should clearly indicate who the role players are and also provide information on the adoption and implementation of the waste management.

b. Level and standards in waste management services

This section presents the municipality definition of low and high level access to waste management services by the population as well as the low and high quality standard of waste management service. This understanding of the level and standard should be the justification for setting yearly targets and reporting achievements.

c. Annual performance as per key performance indicators in waste management services

- The report does not reflect any information on the KPI

d. Major challenges in waste management services and remedial actions

In this section the municipality is expected to clearly indicate the challenges relating to waste management within its jurisdiction and propose what needs to be done to address them.

## 2.6 Housing and town planning (max 2 pages)

c. Annual performance as per key performance indicators in housing and town planning services

The report does not reflect any KPI as required in the reporting format (refer to reporting format)

d. Major challenges in housing and town planning services and remedial actions

- No information provided in this regard

**b. Land use management:**

- Please refer to the Reporting Format

## 2.9 Overall service delivery backlogs

The information in this table reflects some gaps

## **CHAPTER 3: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK- (KPA 3)**

### **3.3 Annual performance as per key performance indicators in LED**

- Municipality is expected to provide information on these KPIs as they play a vital role when assessing these reports.

## Chapter 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)

### 4.1 The audited financial statements

The financial statements or the consolidated financial statements (for municipalities with entities) required must be **audited** and include:

- Statement of financial position (balance sheet),
- Statement of financial performance (operating statement),
- Cash flow statement,
- Statement of changes in net assets
- Supporting notes to the financial statements.
- Remuneration of councillors, Directors, officials, members and officials of municipal entities

### 4.2 Budget to actual comparison

	Actual	Budgeted	Variance	Variance %
<b>Revenue by source</b>				
Property Rates	1 123 557	1 040 371	83 186	8%
Government Grants and Subsidies - Capital	9 841 848	11 161 857	(1 320 009)	-12%
Government Grants and Subsidies - Operating	29 920 742	-	29 920 742	100%
Fines	5 741	5 000	741	15%
Service Charges	3 939 648	3 328 000	611 648	18%
Rental of Facilities and Equipment	85 167	56 000	29 167	52%
Interest Earned - external investments	566 958	727 000	(160 042)	-22%
Interest Earned - outstanding debtors	387 951	30 000	357 951	1193%
Water service authority contribution	8 573 365			
Agency Services	255 081	125 000	130 081	104%
Other Income	208 353	98 700	109 653	111%
Gain on disposal of Property, Plant and Equipment	28 070	252 632	(224 562)	-89%
	54 936 481	16 824 560	29 538 556	176%
<b>Expenditure by nature</b>				
Employee Related Costs	14 234 772	16 186 361	1 951 589	-12%
Remuneration of Councillors	1 999 330	1 944 500	(54 830)	3%
Debt Impairment	2 065 668	1 002 000	(1 063 668)	106%
Repairs and Maintenance	2 990 070	2 903 500	(86 570)	3%
Actuarial losses	185 258	-	(185 258)	-100%
Finance Charges	30 528	155 000	124 472	-80%
Bulk Purchases	5 370 608	5 800 000	429 392	-7%
Grants and Subsidies	3 231	10 000	6 769	-68%
Operating Grant Expenditure	10 597 313	11 014 940	417 627	-4%
General Expenses	9 398 592	9 190 912	(207 680)	2%
	46 875 370	48 207 213	1 331 843	0
<b>Net Surplus for the year</b>	<b>8 061 111</b>	<b>-31 382 653</b>	<b>30 870 399</b>	<b>-98%</b>

### 4.3 Grants and transfers' spending

Name of the Grant			Amount Received and Spent each Quarter											
			01-07-2010 to 30-09-2010		01-10-2010 to 31-12-2010		01-01-2011 to 31-03-2011		01-04-2011 to 30-06-2011		Total			
Project Name	Donor Name	Balance BF	Received	Spent	Received	Spent	Received	Spent	Received	Spent	Received	Spent	Balance CF	
FMG	National Treasury		3 000 000.00	698 338.95		647 739.84		660 552.70		993 471.55	3 000 000.00	3 000 103.04	0	
MSIG	DPLG	113513.3	750 000.00	40 300.00		392 029.32		274 605.65		148 196.00	750 000.00	855 130.97	8 382.33	
MIG	DPLG	1207831.4	2 000 000.00	903 446	3 000 000.00	2380772		1548257	3 007 000.00	2 601 937.40	8 007 000.00	7 434 412.40	1 780 419.00	
INEG	DME	2513481.4	0.00	643847		943532				921413.4		2508792.4	4688.99	

### 4.4 Meeting of Donors' requirements in respect of conditional grants

All expenditure of conditional grants was in line with conditions of the grants.

### 4.5 Long term contracts entered into by the municipality

Most of the multi-year contracts that the municipality has entered into do not exceed three (3) years and were entered into during previous financial years

- The municipality has entered into a three year partnership with the department of Roads and Public works at no financial cost to the municipality. This partnership is meant to improve the conditions of internal roads.
- A three year contract with Stratdev for IDP development and Performance Management System was entered into in 2008 and is coming to an end towards the end of 2012
- A three year contract with MUBESKO for compilation of Annual Financial Statements which will end when the 2010/11 Annual Financial Statements have been audited.

		Actual (in Rands)	Budgeted (in Rands)	%
Capital expenditure for the year (Excl Vat)	As per note 9, 10 and 11 of AFS	9 207 150	11 988 596	77
Salary expenditure for the year (excl council)	As per statement of financial performance	14 234 772	16 186 361	87.94

Salary expenditure for the year (including council)	As per statement of financial performance	16 234 102	18 130 861	89.54
Total operating expenditure (incl grants)	As per note 38.1 of AFS	46 875 370	48 207 213	97.24
Trade creditors	As per notes 6 of AFS	239 371	n/a	n/a
Total revenue for the year (incl grants)	As per statement of financial performance	54 936 481	46 745 302	117.52
Total revenue for the year (excl. grants)	As per statement of financial performance	6 600 526	5 662 705	116.56
Total own revenue for the year	Total Revenue excluding grants and interest on outstanding debtors	6 212 575	5 632 705	110.29

#### Total salary expenditure as percentage of total operating expenditure

%

Including grants and council		35
Excluding grants and debt impairment; including council		47
Council salaries as percentage of total salaries		12

#### **4.7 The Audit committee functionality**

The Audit Committee functioned properly during the year under review. The following functions were undertaken :

- Performance evaluation of senior management – during the year under review, the Chairperson of the Audit Committee formed part of the panel that conducted performance review/appraisal of the senior managers
- Quarterly meetings – as planned, the audit committee held four meetings during the year under review
- The Audit Committee also discharged their responsibilities as per section 166 of the Municipal Finance Management Act, Act no.56 of 2003.

#### **Challenges**

- The challenge that was faced by the Audit Committee is limited capacity in so far as Performance Auditing is concerned. An arrangement has been reached with the Auditor Generals' Office to organise a training workshop in early January 2012.

#### **4.8 Arrears in property rates and service charges**

##### **Debtor Analysis: Amount Outstanding at 30 June 2011**

*See note 14 and 15 of annual financial statements*

<b>Debt by Type</b>	<b>0-30 Days</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>90+ Days</b>	<b>Total</b>
Rates	29 825	60 987	55 454	2 739 519	2 885 785
Electricity	239 142	163 420	92 103	2 286 245	2 780 910
Refuse	51 396	43 934	42 675	2 270 944	2 408 949
Other	2 714	2 719	2 719	924 112	932 263

**Note: Water and Sanitation debt is not provided as it is reflected in the books of Chris Hani District Municipality**

#### **4.9 Anti -corruption strategy**

The Anti-corruption strategy was developed and adopted by the council during the 2009/10 financial year. Implementation is a bit of a challenge as the municipality does not have an in-house internal audit unit which should play a key role in identifying corrupt and fraudulent practices. One workshop for all staff members and councillors was held during the year.

As part of improving this situation the council has prioritised the establishment of an internal audit unit headed by a qualified Internal Audit Executive.

For the year under review no corrupt or fraudulent activities were reported and or investigated.

## **Chapter 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION- (KPA 5)**

### **Customer satisfaction surveys**

Currently the municipality has so far not engaged in any customer satisfaction surveys, but has only developed a public participation policy which was workshopped to all public participation stakeholders. The policy provides for what the stakeholders should take part on and how they must participate in municipal activities.

### **5.4 Community Development workers performance monitoring**

- Availability of CDW monthly reports;

The municipality currently has 4 CDW's instead of 5, this was as a result that service of one them had to be terminated for disciplinary reasons. The uncertainty as to who and how they must report has been resolved in that between the municipality, department of local government and CDW's there are monthly round table meetings held wherein all parties report on their programmes. However the main reporting party are CDW's as they have to explain what they have been doing during that particular time and problems they have encountered. This is the forum where problematic areas are discussed and solutions provided.

- Number of cases identified and reported and homes visited by CDWs;

Currently CDW's report only on what they have been doing without necessarily keeping statistics of cases they had attended to. The CDW's operate mainly with sector departments who are closely associated with communities in terms of service provision.

- Participation of CDW in the Municipality activities e.g IDP

The municipality currently does not have a public participation unit, however an internal forum composed of Manager Corporate Services, SPU Coordinator and all CDW's was formed in order to draw a plan of action for CDW's to fully participate in municipal activities. This forum facilitates the participation of CDW's in mayoral programmes and any other municipal programme. CDW's also form part and report in ward committee meetings since their functions overlap.

### **5.5 Communication strategy**

The Municipality is expected to report on the implementation of its communication strategy during the year under review. The municipality should clearly provide the following information:

- Development stage of the communication strategy;

The municipality with the assistance from the district municipality, GCIS and Local Communicators Forum are involved in the development of the communication strategy. The strategy spells out how the municipality communicates with its customers and citizens.

- Adoption of the strategy by the council;

After development the strategy is then submitted to council for adoption.

- Human resource available to lead the communication activities;

The municipality does not have a dedicated person for communication and the manager for Corporate Services doubles up as the communications officer.

- Infrastructural resource available for communication activities

The municipality has budgeted some money for communication purposes such as, radio talk shows, purchase of posters and promotional materials for any municipal programmes.

## **5.7 Intergovernmental Relations**

The municipality does not have a separate Intergovernmental Relations Framework instead it uses the current national legislative provisions as a guide. During the year under review about four IGRF meetings were organised and all four did not materialise due to non-attendance by the sector departments.

However, some sector departments like Social Development, Roads and Public Works, Sport, arts and Culture and Local Government do attend IDP Representative Forum meetings which are also regarded as intergovernmental relations initiatives.

What the municipality wishes to emphasize is that sector departments do not take seriously the intergovernmental relations forums that are organised at local municipal level and that affects very negatively development planning and implementation.

## **5.8 Legal matters**

### **5.8.1 Setting up of Legal Units**

The municipality does not have a legal services unit in house as this is seen as being a very expensive exercise given the size of the municipality as well as the number of legal matters that are attended per year. For the year under review, legal services were outsourced to the following private firms:

- Bowes & McDougall - Queenstown
- Kirchmanns In – East London
- SmithTabata Attorneys - East London

### **5.8.2 Management of litigation**

1. Case Load Management with specific reference to:

a. Favourable cases

Case name	Recovery (yes/No)	Reasons for non recovery
Tsolwana Mun/Mjamba	Recovery not yet clear as the case is still under investigation	N/A

b. Unfavourable cases

Case name	Compliance with judgement (yes/No)	Reasons for non compliance with judgement
SALA Pension Fund/Tsolwana municipality (case no:1458/2008	Case not decided at the end of the financial year	N/A

2. Case age analysis,

Case name	Nature of the case	Date of commencement	Cases of 2 years or bellow	Cases beyond 2 years	Reasons for extensive duration
SALA Pension Fund/Tsolwan a municipality (case no:1458/2008	SALA claiming unpaid increasing employer contribution from July 2003 -				

3. Default judgements

Case name	Reasons for default judgement
N/A	
N/A	

4. Prevention mechanisms of current litigations:

The current litigations could not be prevented for the following reasons:

As indicated hereabove, the municipality does not have an internal legal services nor does it have an in-house internal audit unit which could have managed to

see the possibility of the case coming up and possible judgement and warn the management in advance

- SALA Pension Fund/Tsolwana Municipality – came as a result of SALA having decided to increase the employer contribution retrospectively which, although unfair, but is permissible in terms of the Pension Fund Act and Rules of SALA Pension Fund.

#### 5. Criminal matters emanating from corruption and fraud

- The Riegers Hire/Tsolwana Mun & 4 Others Joinder was as a result of the fraudulent practices by the former Technical Services Manager where he signed a cessionary agreement for payment of a third party without the knowledge of the Accounting Officer.
- External investigation on alleged fraudulent and corrupt practices by the former Technical Manager being handled by Kichmanns Inc emanates from the above case.

#### 5.8.3 Management of Legal Risks

The municipality, during the year under review, did not have a policy on management of legal risk however, the risk management plan does talk to legal risk management. As part of the budget for 2012/13 policy development will be catered for.

## PART 3- FUNCTIONAL AREAS REPORTING AND ANNEXURE

### A: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

1. General information (population statistics)

<b>&lt;Insert name of municipality&gt;</b> <b>GENERAL INFORMATION</b>			
Reporting Level	Detail	Total	
Overview:	Provide a general overview of municipality: this may include a short narrative of issues peculiar to the municipality and issues specific to the financial year being reported		
Information:	<p>&lt;Provide statistical information on (as a minimum):&gt;</p> <p>Geography:</p> <p>1 Geographical area in square kilometres Note: Indicate source of information</p> <p>Demography:</p> <p>2 Total population Note: Indicate source of information</p> <p>3 Indigent Population Note: Indicate source of information and define basis of indigent policy including definition of indigent</p> <p>4 Total number of voters</p> <p>5 Aged breakdown: - 65 years and over - between 40 and 64 years - between 15 and 39 years - 14 years and under Note: Indicate source of information</p> <p>6 Household income: - over R3,499 per month - between R2,500 and R3,499 per month - between R1,100 and R2,499 per month - under R1,100 per month Note: Indicate source of information</p>	<p>6000 <i>Global Insight:2008</i></p> <p>30952 <i>Global Insight:2008</i></p> <p>40% <i>Global Insight</i></p> <p>16784</p> <p>11%</p> <p>4400</p> <p>4500</p> <p>2% 14% 16% 23% <i>Global Insight:2008</i></p>	

2. Finance and Administration function's performance

**A. Overview:**

The Financial Services Directorate is responsible for ensuring sound financial management, monitoring the budget expenditure and revenue management, timely reporting to Council, timely completion of annual financial statements for submission to the Auditor-General,

perform bank reconciliation, payment of creditors and the general financial management of the municipality, asset management of the municipality and supply chain management.

**B. Description of the Activity**

The Financial Services Directorate has the following divisions led by Divisional Heads (Accountants) who report directly to the Chief Financial Officer:

Revenue Management (which includes Debt collection; Credit Control and Indigent; Rates and Valuation)

Expenditure and Asset Management

Supply Chain Management and Information technology

The Financial Services Directorate serves as a support function to all directorates of the municipality. Direct interaction with the public takes place at the following levels and division; consumer enquiries on municipal account, credit control, indigent assistance application and registration and supply chain management.

**C. Debtors Billing and Debtor Collection**

Function	Months - JULY 10			Months - AUG 10		
	Billed	Interest	Received	Billed	Interest	Received
RATES LEVY	393.7	945.15	-985.42	414	945.15	-1 088.49
STREET LIGHTS	3838.4	175	-1383.21	3843.50	175.70	-1 033.88
RATES	425281.05	647.3	-53462.92	65108.65	656.05	-89674.6
WATER	434966.05	1170.95	-25260.19	81516.2	1516.15	-17057.38
ELECTRICITY	119481.05	1094	-193146.35	304331.6	1098.4	-91671.38
SANITATION	59590.35	1859.05	-30184.15	59705.8	1888.1	-25758.34
REFUSE	37190.05	1227.7	-27602.95	37082.5	1246.15	-25337.51
	1 080 741	7 119	-332 025.19	552 002.25	7 525.70	-251 621.58

Function	Months - SEPT 10			Months - OCT 10		
	Billed	Interest	Received	Billed	Interest	Received
RATES LEVY	611.80	945.30	-99.90	611.80	10 011.25	-477.86
STREET LIGHTS	3 863.90	176.40	-50.04	3 863.90	2 026.75	-1 146.71
RATES	68 090.50	676.40	-49 362.50	64 573.35	7 343.85	-54 373.98
WATER	86 084.00	1 239.75	-24 349.97	63 100.05	13 052.80	-31 962.96
ELECTRICITY	339 190.10	1 213.40	145 854.28	227 482.70	13 603.90	-240 764.66
SANITATION	60 042.70	1 915.40	-21 932.29	60 336.45	20 430.15	-243 844.00
REFUSE	38 122.00	1 269.70	-18 532.32	39 843.90	13 426.75	-19 264.63
	596 005.00	7 436.35	31 527.26	79 895.45	-591 834.80	

Function	Months - NOV 10			Months - DEC 10		
	Billed	Interest	Received	Billed	Interest	Received
RATES LEVY	611.80	10 092.65	-1 173.40	2 213.70	10 173.90	-1 270.96
STREET LIGHTS	3 968.00	2 055.35	-757.92	14 557.60	2 085.20	-1 033.98
RATES	60 641.75	12 924.45	-52 389.24	61 037.10	13 233.90	-39 045.60
WATER	52 140.95	13 368.85	-25 545.03	38 076.75	13 609.25	-29 404.54
ELECTRICITY	201 256.10	13 588.65	-197 138.10	192 026.95	14 333.75	-114 857.97
SANITATION	59 923.90	20 716.05	-24 386.61	152 610.40	21 039.85	-24 159.42
REFUSE	38 656.80	13 634.30	-16 768.21	111 777.25	13 853.10	-14 778.43
	417 199.30	86 380.30	-318 158.51	572 299.75	88 328.95	-224 550.90

Function	Months - JAN 11			Months - FEBR 11		
	Billed	Interest	Received	Billed	Interest	Received
RATES LEVY	632.10	10 279.80	-404.20	652.40	10 367.50	-1 008.13
STREET LIGHTS	6 579.25	2 200.85	-912.51	3 980.40	2 148.65	-2 485.61
RATES	58 092.45	13 447.55	-47 565.56	59 269.70	13 683.95	-46 422.70
WATER	47 702.10	13 734.75	-25 817.43	856 279.00	13 933.75	-27 625.88
ELECTRICITY	243 287.75	14 600.75	-164 656.58	189 226.10	15 413.15	-160 972.79
SANITATION	49 515.90	22 040.30	-28 206.22	58 145.15	21 670.25	-24 621.65
REFUSE	37 642.40	14 647.45	-19 406.78	40 496.20	14 247.20	-18 926.49
	443 451.95	90 951.45	-286 969.28	1 208 048.95	91 464.45	-282 063.25

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Function	Months - MARCH 11			Months - APR 11		
	Billed	Interest	Received	Billed	Interest	Received
RATES LEVY	652.40	10 452.85	-1 051.54	652.40	10 548.10	-805.00
STREET LIGHTS	3 981.28	2 173.85	-1 064.89	3 980.40	2 206.75	-779.14
RATES	58 011.23	13 688.65	-67 677.24	56 759.55	14 030.35	-69 497.54
WATER	52 008.25	21 218.40	-434 360.39	37 084.35	17 888.05	-28 240.50
ELECTRICITY	214 051.15	15 542.45	-174 559.83	169 777.45	16 176.00	-159 946.39
SANITATION	58 141.73	21 879.90	-32 858.19	57 795.75	22 234.35	-14 700.10
REFUSE	37 367.75	14 416.30	-20 110.80	58 721.55	14 642.85	-13 033.48
	424 213.79	99 372.40	-731 682.88	384 771.45	97 726.45	-287 002.15

Function	Months - MAY 11			Months - JUNE 11		
	Billed	Interest	Received	Billed	Interest	Received
RATES LEVY	352.40	10 130.90	-720.35	652.40	10 215.70	-254.95
STREET LIGHTS	3 987.75	2 131.85	-367.55	3 968.00	2 161.15	-544.55
RATES	57 146.00	13 206.40	-52 050.79	57 577.95	13 145.85	-78 439.55
WATER	40 462.05	17 223.15	-430 992.31	66 233.20	16 294.50	-246 980.40
ELECTRICITY	239 752.60	15 849.50	-534 385.11	1 213.00	13 988.90	-23 146.90
SANITATION	57 934.50	21 481.30	-21 500.28	57 736.55	21 799.70	-24 712.80
REFUSE	38 762.15	14 146.20	-14 064.45	37 286.25	14 336.50	-33 069.43
	438 397.45	94 169.30	-1 054 080.84	164 511.45	91 942.30	-407 148.58

Function	Total	Total	Payment %
	Billed	Actual Received	
RATES LEVY	8 450.90	-9 340.20	-1.11
STREET LIGHTS	60 412.38	-11 559.99	-0.19
RATES	1 031 433.38	-699 962.22	-0.68
ELECTRICITY	2 441 076.55	-1 909 391.78	-0.78
SANITATION	791 479.18	-516 864.05	-0.65
REFUSE	552 948.80	-240 895.48	-0.44

#### D. Debtors Amount Outstanding

##### Debtor Analysis: Amount Outstanding at 30 June 2011

See note 14 and 15 of annual financial statements

<i>Debt by Type</i>	<i>0-30 Days</i>	<i>31-60 Days</i>	<i>61-90 Days</i>	<i>90+ Days</i>	<i>Total</i>
Rates	29 825	60 987	55 454	2 739 519	2 885 785
Electricity	239 142	163 420	92 103	2 286 245	2 780 910
Refuse	51 396	43 934	42 675	2 270 944	2 408 949
Other	2 714	2 719	2 719	924 112	932 263

Note: Water and Sanitation debt is not provided as it is reflected in the books of Chris Hani District Municipality

No consumer debts were written off

#### E. Property Rates

Type	Unit	Market Value levied
Residential and RDP	1697	R441 493.80
Municipality	1263	
Commercial/Business	68	R227 760.90
Government	10	R26 130.65
PBO	23	R13 158.60
Agriculture	1129	R327 015.13
<b>Total</b>	4190	R1 035 559.07

Function:	Finance and Administration
Sub Function:	Finance
Reporting Level	Detail

Overview:	<p>Includes all activities relating to the finance function of the municipality. Note: grants information should appear in Chapter 4 on <i>Financial Statements and Related Financial Information</i>.</p>		
Description of the Activity:	<p>The function of finance within the municipality is administered as follows and includes:</p> <p>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</p> <p>These services extend to include &lt;function/area&gt;, but do not take account of &lt;function/area&gt; which resides within the jurisdiction of &lt;national/provincial/other private sector&gt; government. The municipality has a mandate to:</p> <p>&lt;List here&gt;</p> <p>The strategic objectives of this function are to:</p> <p>&lt;List here&gt;</p> <p>The key issues for 200X/0Y are:</p> <p>&lt;List here&gt;</p>		
Analysis of the Function:	<p>&lt;Provide statistical information on (as a minimum).&gt;</p>		
1	<p>Debtor billings: number and value of monthly billings: Function - &lt;list function here eg: water, electricity etc&gt;</p> <ul style="list-style-type: none"> <li>- Number and amount billed each month across debtors by function (eg: water, electricity etc) and by category: Government, Business, Residents and Indigents</li> </ul> <p>Note: create a suitable table to reflect monthly billed and received (against billed) across debtors by function (eg: water, electricity etc) and by category</p>	<p>&lt;total&gt; &lt;number&gt;</p>	<p>R (000s) &lt;total&gt; &lt;value&gt;</p>
2	<p>Debtor collections: value of amount received and interest: Function - &lt;list function here eg: water, electricity etc&gt;</p> <ul style="list-style-type: none"> <li>- Value received from monthly billings each month and interest from the previous month across debtors by function (eg: water, electricity etc) and by category: Government, Business, Residents and Indigents</li> </ul> <p>Note: create a suitable table to reflect amount received from that month's billings plus interest from the previous month across debtors by function and by category</p>	<p>R (000s) &lt;total&gt; &lt;received&gt;</p>	<p>R (000s) &lt;total&gt; &lt;interest&gt;</p>
3	<p>Debtor analysis: amount outstanding over 30, 60, 90 and 120 plus days: Function - &lt;list function here eg: water, electricity etc&gt;</p> <ul style="list-style-type: none"> <li>- Total debts outstanding over 30, 60, 90 and 120 plus days across debtors by function (eg: water, electricity etc) and category</li> </ul> <p>Note: create a suitable table to reflect debts outstanding over 30, 60, 90 and 120 plus days across debtors by function and category</p>	<p>R (000s) &lt;total&gt;</p>	
4	<p>Write off of debts: number and value of debts written off: - Total debts written off each month across debtors by function (eg: water, electricity etc) and category</p> <p>Note: create a suitable table to reflect write offs each month across debtors by function and category</p>	<p>&lt;number&gt;</p>	<p>R (000s) &lt;value&gt;</p>
5	<p>Property rates (Residential):</p> <ul style="list-style-type: none"> <li>- Number and value of properties rated</li> <li>- Number and value of properties not rated</li> </ul>	<p>&lt;number&gt; &lt;number&gt;</p>	<p>R (000s) &lt;value&gt; &lt;value&gt;</p>

	- Number and value of rate exemptions - Rates collectible for the current year	<number> <value>	<value>
Reporting Level	Detail		Total
6	Property rates (Commercial): - Number and value of properties rated - Number and value of properties not rated - Number and value of rate exemptions - Rates collectible for the current year	<number> <number> <number> <value>	R (000s) <value> <value> <value> <value>
8	Property valuation: - Year of last valuation - Regularity of valuation	<year> <cycle>	
9	Indigent Policy: - Quantity (number of households affected) - Quantum (total value across municipality)	<total> <value>	
10	Creditor Payments: <List creditors here>  Note: create a suitable table to reflect the five largest creditors individually, with the amount outstanding over 30, 60, 90 and 120 plus days	R (000s) <value>	<age>
11	Credit Rating: <List credit rating details here>  List here whether your Council has a credit rating, what it is, from whom it was provided and when it was last updated	R (000s) <value>	<date>
12	External Loans: - Total loans received and paid during the year  Note: Create a suitable table to reflect the balance of each external loan at the beginning of the year, new loans raised during the year and loans repaid during the year as well as the balance at the end of the year. Interest rates payable on each loan, together with the date of repayment should be also disclosed in the table.	R (000s) <received>	R (000s) <paid>
13	Delayed and Default Payments: <List delayed and default payments here>  List here whether Council has delayed payment on any loan, statutory payments or any other default of a material nature  Note: This information need not be reported here if reported as notes to the accounts.	<value>	<date>

### 3. Planning and Development function's performance

Function:	Planning and Development		
Sub Function:	Economic Development		
Reporting Level	Detail		Total
Overview:	Includes all activities associated with economic development initiatives		

Description of the Activity:	The function of economic planning / development within the municipality is administered as follows and includes:  <i>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</i>		
	These services extend to include <function/area>, but do not take account of <function/area> which resides within the jurisdiction of <national/provincial/other private sector> government. The municipality has a mandate to:  <i>&lt;List here&gt;</i>		
	The strategic objectives of this function are to:  <i>&lt;List here&gt;</i>		
	The key issues for 200X/0Y are:  <i>&lt;List here&gt;</i>		
Analysis of the Function:	<i>&lt;Provide statistical information on (as a minimum):&gt;</i>		
	1 Number and cost to employer of all economic development personnel: - Professional (Directors / Managers) <i>&lt;total&gt;</i> <i>&lt;cost&gt;</i>		<i>R (000s)</i>
	- Non-professional (Clerical / Administrative) <i>&lt;total&gt;</i> <i>&lt;cost&gt;</i>		
	2 - Temporary <i>&lt;total&gt;</i> <i>&lt;cost&gt;</i>		
	- Contract <i>&lt;total&gt;</i> <i>&lt;cost&gt;</i>		
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		
	3 Detail and cost of incentives for business investment: <i>&lt;list details&gt;</i> <i>&lt;cost&gt;</i>		<i>R (000s)</i>
	4 Note: list incentives by project, with total actual cost to municipality for year		
	5 Detail and cost of other urban renewal strategies: <i>&lt;list details&gt;</i> <i>&lt;cost&gt;</i>		<i>R (000s)</i>
	Note: list strategies by project, with total actual cost to municipality for year		
	6 Detail and cost of other rural development strategies: <i>&lt;list details&gt;</i> <i>&lt;cost&gt;</i>		<i>R (000s)</i>
	Note: list strategies by project, with total actual cost to municipality for year		
	6 Number of people employed through job creation schemes: - Short-term employment <i>&lt;number&gt;</i>		
	- Long-term employment <i>&lt;number&gt;</i>		
	Note: total number to be calculated on full-time equivalent (FTE) basis, and should only be based on direct employment as a result of municipal initiatives		
	Number and cost to employer of all Building Inspectors employed: - Number of Building Inspectors <i>&lt;number&gt;</i> <i>&lt;value&gt;</i>		<i>R (000s)</i>
	- Temporary		
	- Contract		
	Note: total number to be calculated on a full-time equivalent (FTE) basis, total cost to include total salary package		
	Details of building plans:		

	- Number of building plans approved - Value of building plans approved	<number> <value>	
<b>Reporting Level</b>	<b>Detail</b>		<b>Total</b>
	Note: Figures should be aggregated over year to include building plan approvals only		
7	Type and number of grants and subsidies received: <i>&lt;list each grant or subsidy separately&gt;</i>		R (000s) <total> <value>
	Note: total value of specific planning and development grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		

#### 4. Community and social services function's performance

Function:	Community and Social Services		
Sub Function:	All inclusive		
Reporting Level	Detail	Total	
Overview:	Includes all activities associated with the provision of community and social services		
Description of the Activity:	<p>The function of provision of various community and social services within the municipality is administered as follows and includes:</p> <p><i>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</i></p> <p>These services extend to include &lt;function/area&gt;, but do not take account of &lt;function/area&gt; which resides within the jurisdiction of &lt;national/provincial/other private sector&gt; government. The municipality has a mandate to:</p> <p><i>&lt;List here&gt;</i></p> <p>The strategic objectives of this function are to:</p> <p><i>&lt;List here&gt;</i></p> <p>The key issues for 200X/0Y are:</p> <p><i>&lt;List here&gt;</i></p>		
Analysis of the Function:	<p><i>&lt;Provide statistical information on (as a minimum):&gt;</i></p> <p>1 Nature and extent of facilities provided:</p> <ul style="list-style-type: none"> <li>- Library services</li> <li>- Museums and art galleries</li> <li>- Other community halls/facilities</li> <li>- Cemetaries and crematoriums</li> <li>- Child care (including creches etc)</li> <li>- Aged care (including aged homes, home help)</li> <li>- Schools</li> </ul>	no of facilities: <number> <number> <number> <number> <number> <number> <number> <number>	no of users: <number> <number> <number> <number> <number> <number> <number> <number>

	<ul style="list-style-type: none"> <li>- Sporting facilities (specify)</li> <li>- Parks</li> </ul> <p>Note: the facilities figure should agree with the assets register</p>	<number> <sq km>	<number>
2	Number and cost to employer of all personnel associated with each community services function: <ul style="list-style-type: none"> <li>- Library services</li> <li>- Museums and art galleries</li> <li>- Other community halls/facilities</li> <li>- Cemetaries and crematoriums</li> <li>- Child care</li> <li>- Aged care</li> <li>- Schools</li> <li>- Sporting facilities</li> <li>- Parks</li> </ul> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p>	<total> <total> <total> <total> <total> <total> <total> <total> <total> <total>	R(000s)           
6	Total operating cost of community and social services function		R (000s)

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
<ul style="list-style-type: none"> <li>• Approved HIV/AIDS strategy;</li> <li>• Approved Disaster management policy frameworks and plans (Metro and DM)</li> </ul>	<p>&lt; List here the actual performance achieved over the financial year, and the variance between performance planned and actual performance, providing an explanation of the variance. Also provide details of any improvements planned for next year.</p>		

## 5. Housing function's performance

Function:	Housing
Sub Function:	N/A

Reporting Level	Detail	Total	
Overview:	Includes all activities associated with provision of housing		
Description of the Activity:	The function of provision of housing within the municipality is administered as follows and includes:		

	<p><i>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</i></p> <p>These services extend to include &lt;function/area&gt;, but do not take account of &lt;function/area&gt; which resides within the jurisdiction of &lt;national/provincial/other private sector&gt; government. The municipality has a mandate to:</p> <p><i>&lt;List here&gt;</i></p> <p>The strategic objectives of this function are to:</p> <p><i>&lt;List here&gt;</i></p> <p>The key issues for 200X/0Y are:</p> <p><i>&lt;List here&gt;</i></p>		
Analysis of the Function:	<p><i>&lt;Provide statistical information on (as a minimum):&gt;</i></p> <p>1 Number and cost of all personnel associated with provision of municipal housing:</p> <ul style="list-style-type: none"> <li>- Professional (Architects/Consultants)</li> <li>- Field (Supervisors/Foremen)</li> <li>- Office (Clerical/Administration)</li> <li>- Non-professional (blue collar, outside workforce)</li> <li>- Temporary</li> <li>- Contract</li> </ul> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package. Professional includes project design, Field includes all tradespersons.</p> <p>2 Number and total value of housing projects planned and current:</p> <ul style="list-style-type: none"> <li>- Current (financial year after year reported on)</li> <li>- Planned (future years)</li> </ul> <p>Note: provide total project and project value as per initial or revised budget</p> <p>3 Total type, number and value of housing provided:</p> <p><i>&lt;list details by type of dwelling, see below&gt;</i></p> <p>Note: total number and total value of housing provided during financial year</p> <p>4 Total number and value of rent received from municipal owned rental units</p> <p><i>&lt;list details, including number of units handed over to residents&gt;</i></p> <p>5 Estimated backlog in number of (and costs to build) housing:</p> <p><i>&lt;list details by type of dwelling, see below&gt;</i></p> <p>Note: total number should appear in IDP, and cost in future budgeted capital housing programmes</p> <p>6 Type of habitat breakdown:</p> <ul style="list-style-type: none"> <li>- number of people living in a house or brick structure</li> <li>- number of people living in a traditional dwelling</li> <li>- number of people living in a flat in a block of flats</li> <li>- number of people living in a town/cluster/semi-detached group dwelling</li> <li>- number of people living in an informal dwelling or shack</li> <li>- number of people living in a room/flatlet</li> </ul>	<p>R (000s)</p> <p><i>&lt;total&gt;</i>      <i>&lt;cost&gt;</i>  <i>&lt;total&gt;</i>      <i>&lt;cost&gt;</i>  <i>&lt;total&gt;</i>      <i>&lt;cost&gt;</i>  <i>&lt;total&gt;</i>      <i>&lt;cost&gt;</i>  <i>&lt;total&gt;</i>      <i>&lt;cost&gt;</i>  <i>&lt;total&gt;</i>      <i>&lt;cost&gt;</i></p> <p>R (000s)</p> <p><i>&lt;total&gt;</i>      <i>&lt;value&gt;</i>  <i>&lt;total&gt;</i>      <i>&lt;value&gt;</i></p> <p>R (000s)</p> <p><i>&lt;total&gt;</i>      <i>&lt;value&gt;</i></p> <p>R (000s)</p> <p><i>&lt;total&gt;</i>      <i>&lt;value&gt;</i></p> <p>R (000s)</p> <p><i>&lt;total&gt;</i>      <i>&lt;cost&gt;</i></p> <p><i>&lt;total&gt;</i>      <i>&lt;cost&gt;</i></p>	
Reporting Level	Detail		Total

7	Type and number of grants and subsidies received:  <list each grant or subsidy separately>  Note: total value of specific housing grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.	<i>&lt;total&gt;</i>	<i>R (000s)</i> <i>&lt;value&gt;</i>
8	Total operating cost of housing function		<i>R (000s)</i>

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
<List at least five key performance areas relative to the above function as articulated in the 200X/0Y budget here>	<List here the actual performance achieved over the financial year, and the variance between performance planned and actual performance, providing an explanation of the variance. Also provide details of any improvements planned for next year.		

## 6. Waste management function's performance

Function:	Waste Management		
Sub Function:	Solid Waste		
Reporting Level	Detail	Total	
Overview:	Includes refuse removal, solid waste disposal and landfill, street cleaning and recycling		
Description of the Activity:	<p>The refuse collection functions of the municipality are administered as follows and include:</p> <p>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</p> <p>These services extend to include &lt;function/area&gt;, but do not take account of &lt;function/area&gt; which resides within the jurisdiction of &lt;national/provincial/other private sector&gt; government. The municipality has a mandate to:</p> <p>&lt;List here&gt;</p> <p>The strategic objectives of this function are to:</p> <p>&lt;List here&gt;</p> <p>The key issues for 200X/0Y are:</p> <p>&lt;List here&gt;</p>		
Analysis of the Function:	<p>&lt;Provide statistical information on (as a minimum):&gt;</p> <p>1 Number and cost to employer of all personnel associated with refuse removal:</p> <ul style="list-style-type: none"> <li>- Professional (Engineers/Consultants)</li> <li>- Field (Supervisors/Foremen)</li> <li>- Office (Clerical/Administration)</li> </ul>	<i>R (000s)</i>	
		N/A	N/A
		2	2
		1	1

	<ul style="list-style-type: none"> <li>- Non-professional (blue collar, outside workforce)</li> <li>- Temporary</li> <li>- Contract</li> </ul> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p>	N/A <total> <total>	N/A <cost> <cost>
2	Number of households receiving regular refuse removal services, and frequency and cost of service: <ul style="list-style-type: none"> <li>- Removed by municipality at least once a week</li> <li>- Removed by municipality less often</li> <li>- Communal refuse dump used</li> <li>- Own refuse dump</li> <li>- No rubbish disposal</li> </ul> <p>Note: if other intervals of services are available, please provide details</p>	24.9% 0.2% 1.2% 57% 16%	R (000s)  R1200> cost in both urban areas R280 000
3	Total and projected tonnage of all refuse disposed: <ul style="list-style-type: none"> <li>- Domestic/Commercial</li> <li>- Garden</li> </ul> <p>Note: provide total tonnage for current and future years activity</p>	170 N/A	<future> <future>
4	Total number, capacity and life expectancy of refuse disposal sites: <ul style="list-style-type: none"> <li>- Domestic/Commercial (number)</li> <li>- Garden (number)</li> </ul> <p>Note: provide the number of tip sites, their total current capacity and the expected lifespan as at end of reporting period</p>	145 <capacity>  1 in Tarkastad & 1 in Hofmeyr	145 <lifespan>
Reporting Level	Detail	Total	
5	Anticipated expansion of refuse removal service: <ul style="list-style-type: none"> <li>- Domestic/Commercial</li> <li>- Garden</li> </ul> <p>Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality</p>	10 ha <total>  5964	R (000s) R280 000 <cost>
6	Free Basic Service Provision: <ul style="list-style-type: none"> <li>- Quantity (number of households affected)</li> <li>- Quantum (value to each household)</li> </ul> <p>Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.</p>	<total> <value>	
7	Total operating cost of solid waste management function		R 170 000

## 7. Waste water management

Function:	Waste Water Management
Sub Function:	Sewerage etc

Reporting Level	Detail	Total	Cost																																							
Overview:	Includes provision of sewerage services not including infrastructure and water purification, also includes toilet facilities																																									
Description of the Activity:	<p>The sewerage functions of the municipality are administered as follows and include:</p> <p><i>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</i></p> <ul style="list-style-type: none"> <li>- Bucket system: Buckets are collected by Sanitation tractor twice a week in each household.</li> <li>- Flushed toilets with septic tanks: Septic tanks are being emptied by Honey sucker once a month.</li> <li>- Flushed toilets connected to sewerage system.</li> <li>- Pit ventilated latrines.</li> </ul> <p>These services extend to include &lt;function/area&gt;, but do not take account of &lt;function/area&gt; which resides within the jurisdiction of &lt;national/provincial/other private sector&gt; government. The municipality has a mandate to:</p> <p><i>&lt;List here&gt;</i></p> <p>The strategic objectives of this function are to:</p> <p><i>&lt;List here&gt;</i></p> <p>The key issues for 200X/0Y are:</p> <p><i>&lt;List here&gt;</i></p>																																									
Analysis of the Function:	<p><i>&lt;Provide statistical information on (as a minimum):&gt;</i></p> <p>1 Number and cost to employer of all personnel associated with sewerage functions:</p> <table> <tbody> <tr> <td>- Professional (Engineers/Consultants)</td> <td>7</td> <td>944 776</td> </tr> <tr> <td>- Field (Supervisors/Foremen)</td> <td>2</td> <td>97 680</td> </tr> <tr> <td>- Office (Clerical/Administration)</td> <td>1</td> <td>113 484</td> </tr> <tr> <td>- Non-professional (blue collar, outside workforce)</td> <td>18</td> <td>1 525 792.68</td> </tr> <tr> <td>- Temporary</td> <td>4</td> <td>97 680</td> </tr> <tr> <td>- Contract</td> <td>0</td> <td>0</td> </tr> </tbody> </table> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p> <p>2 Number of households with sewerage services, and type and cost of service:</p> <table> <tbody> <tr> <td>- Flush toilet (connected to sewerage system)</td> <td>12561</td> <td>15 525 396</td> </tr> <tr> <td>- Flush toilet (with septic tank)</td> <td>353</td> <td>436 308</td> </tr> <tr> <td>- Chemical toilet</td> <td>0</td> <td>0</td> </tr> <tr> <td>- Pit latrine with ventilation</td> <td>5842</td> <td>175 260 000</td> </tr> <tr> <td>- Pit latrine without ventilation</td> <td>0</td> <td>0</td> </tr> <tr> <td>- Bucket latrine</td> <td>793</td> <td>609 024</td> </tr> <tr> <td>- No toilet provision</td> <td>245</td> <td>12 250 000</td> </tr> </tbody> </table> <p>Note: if other types of services are available, please provide details</p> <p>3 Anticipated expansion of sewerage:</p>	- Professional (Engineers/Consultants)	7	944 776	- Field (Supervisors/Foremen)	2	97 680	- Office (Clerical/Administration)	1	113 484	- Non-professional (blue collar, outside workforce)	18	1 525 792.68	- Temporary	4	97 680	- Contract	0	0	- Flush toilet (connected to sewerage system)	12561	15 525 396	- Flush toilet (with septic tank)	353	436 308	- Chemical toilet	0	0	- Pit latrine with ventilation	5842	175 260 000	- Pit latrine without ventilation	0	0	- Bucket latrine	793	609 024	- No toilet provision	245	12 250 000	R (000s)	
- Professional (Engineers/Consultants)	7	944 776																																								
- Field (Supervisors/Foremen)	2	97 680																																								
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- Temporary	4	97 680																																								
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- Pit latrine without ventilation	0	0																																								
- Bucket latrine	793	609 024																																								
- No toilet provision	245	12 250 000																																								

	<ul style="list-style-type: none"> <li>- Flush/chemical toilet</li> <li>- Pit latrine</li> <li>- Bucket latrine</li> <li>- No toilet provision</li> </ul> <p>Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality</p>	793 5881 0 0	39 650 000 9 000 000 0 0
4	Free Basic Service Provision: <ul style="list-style-type: none"> <li>- Quantity (number of households affected)</li> <li>- Quantum (value to each household)</li> </ul>	<total> <value>	
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	<b>Cost</b>
	Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.		
5	Total operating cost of sewerage function		R (000s)

## 8. Road maintenance's function's performance

Function:	Road Transport		
Sub Function:	Roads		
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	<b>Cost</b>

Overview:	Construction and maintenance of roads within the municipality's jurisdiction		
Description of the Activity:	<p>The road maintenance and construction responsibilities of the municipality are administered as follows and include:</p> <p><i>The municipality does provide and maintain roads within our LM only internal roads</i></p> <p>These services extend to include &lt;function/area&gt;, but do not take account of &lt;function/area&gt; which resides within the jurisdiction of &lt;national/provincial/other private sector&gt; government. The municipality has a mandate to:</p> <p><i>The mandate of LM is to construct and maintain roads that are in our mandate</i></p> <p>The strategic objectives of this function are to:</p> <p><i>&lt;To provide and maintain basic access road network and storm water infrastructure&gt;</i></p> <p>The key issues for 2010/11 are:</p> <p><i>&lt;road maintenance and construction of new roads &gt;</i></p>		
Analysis of the Function:	<p>&lt;Provide statistical information on (as a minimum):&gt;</p> <p>1 Number and cost to employer of all personnel associated with road maintenance and construction:</p> <ul style="list-style-type: none"> <li>- Professional (Engineers/Consultants)</li> <li>- Field (Supervisors/Foremen)</li> <li>- Office (Clerical/Administration)</li> <li>- Non-professional (blue collar, outside workforce)</li> <li>- Temporary</li> <li>- Contract</li> </ul> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p> <p>2 Total number, kilometres and total value of road projects planned and current:</p> <ul style="list-style-type: none"> <li>- New bitumenised (number)</li> <li>- Existing re-tarred (number)</li> <li>- New gravel (number)</li> <li>- Existing re-sheeted (number)</li> </ul> <p>Note: if other types of road projects, please provide details</p> <p>3 Total kilometres and maintenance cost associated with existing roads provided</p> <ul style="list-style-type: none"> <li>- Tar</li> <li>- Gravel</li> </ul> <p>Note: if other types of road provided, please provide details</p> <p>4 Average frequency and cost of re-tarring, re-sheeting roads</p> <ul style="list-style-type: none"> <li>- Tar</li> <li>- Gravel</li> </ul> <p>Note: based on maintenance records</p> <p>5 Estimated backlog in number of roads, showing kilometres and capital cost</p>	<p>R (000s)</p> <p>&lt;1&gt; &lt;250000&gt;  &lt;1&gt; &lt;820000&gt;  &lt;n/a&gt; &lt;n/a&gt;  &lt;n/a&gt; &lt;n/a&gt;  &lt;3&gt; &lt;79992&gt;  &lt;5&gt; &lt;133320&gt;</p> <p>R (000s)</p> <p>&lt;n/a&gt; &lt;n/a&gt;  &lt;25km&gt; &lt;25000000&gt;  268kms&gt; &lt;94068000&gt;  &lt;kms&gt; &lt;cost&gt;</p> <p>R (000s)</p> <p>&lt;14&gt; &lt;2128000&gt;  &lt;49&gt; &lt;4500000&gt;</p> <p>R (000s)</p> <p>&lt;once a quarter&gt; &lt;60000&gt;</p> <p>R (000s)</p>	

	- Tar - Gravel	<100>	<104000000>
Reporting Level	Detail	Total	Cost
6	Note: total number should appear in IDP, and cost in future budgeted road construction programme  <MIG 45000000 >		
7	Type and number of grants and subsidies received:  Note: total value of specific road grants actually received during year to be recorded over the five quarters - Apr to Jun this year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.	<27>	R (000s) <45000000>
7	Total operating cost of road construction and maintenance function		R (000s)

## 9. Water distribution function's performance

Function:	Water
Sub Function:	Water Distribution

Reporting Level	Detail	Total	Cost
-----------------	--------	-------	------

Overview:	Includes the bulk purchase and distribution of water																																																											
Description of the Activity:	<p>The water purchase and distribution functions of the municipality are administered as follows and include:</p> <p>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</p> <ul style="list-style-type: none"> <li>- Piped water inside dwelling:</li> <li>- Piped water inside yard:</li> <li>- Communal taps: People are accessing drinking with RDP standard.</li> <li>- Jojo tanks: Drinking water are delivered by our Water trucks.</li> </ul> <p>These services extend to include &lt;function/area&gt;, but do not take account of &lt;function/area&gt; which sits within the jurisdiction of &lt;national/provincial/other private sector&gt; government. The municipality has a mandate to:</p> <p>&lt;List here&gt;The municipality has a mandate of providing and maintain water services within its jurisdiction area.</p> <p>The strategic objectives of this function are to:</p> <p>&lt;List here&gt;To ensure that 80% of households have access to clean basic water.</p> <p>The key issues for 2010/11 are:</p> <p>&lt;List here&gt;Shortage of water inside the residential, shortage of bulk water throughout Tsolwana municipality.</p>																																																											
	<p>&lt;Provide statistical information on (as a minimum):&gt;</p> <table> <tbody> <tr> <td>1</td> <td>Number and cost to employer of all personnel associated with the water distribution function:</td> <td>R (000s)</td> </tr> <tr> <td></td> <td>- Professional (Engineers/Consultants)</td> <td>7</td> <td>946 776</td> </tr> <tr> <td></td> <td>- Field (Supervisors/Foremen)</td> <td>2</td> <td>250 773.</td> </tr> <tr> <td></td> <td>- Office (Clerical/Administration)</td> <td>1</td> <td>113484</td> </tr> <tr> <td></td> <td>- Non-professional (blue collar, outside workforce)</td> <td>20</td> <td>1 675 628.40</td> </tr> <tr> <td></td> <td>- Temporary</td> <td>4</td> <td>97 668</td> </tr> <tr> <td></td> <td>- Contract</td> <td>0</td> <td>0</td> </tr> <tr> <td></td> <td>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package.</td> <td></td> <td></td> </tr> <tr> <td>2</td> <td>Percentage of total water usage per month &lt;Insert table showing monthly water usage &gt;</td> <td>60 990.50</td> <td>85%</td> </tr> <tr> <td></td> <td>Note: this will therefore highlight percentage of total water stock used per month</td> <td></td> <td></td> </tr> <tr> <td>3</td> <td>Total volume and cost of bulk water purchases in kilolitres and rand, by category of consumer</td> <td>R (000s)</td> </tr> <tr> <td></td> <td>- Category 1 &lt;insert here&gt;</td> <td>14 498.43</td> <td>144 984.00</td> </tr> <tr> <td></td> <td>- Category 2 &lt;insert here&gt;</td> <td>&lt;volume&gt;</td> <td>&lt;cost&gt;</td> </tr> <tr> <td></td> <td>- Category 3 &lt;insert here&gt;</td> <td>&lt;volume&gt;</td> <td>&lt;cost&gt;</td> </tr> <tr> <td></td> <td>- Category 4 &lt;insert here&gt;</td> <td>&lt;volume&gt;</td> <td>&lt;cost&gt;</td> </tr> </tbody> </table>	1	Number and cost to employer of all personnel associated with the water distribution function:	R (000s)		- Professional (Engineers/Consultants)	7	946 776		- Field (Supervisors/Foremen)	2	250 773.		- Office (Clerical/Administration)	1	113484		- Non-professional (blue collar, outside workforce)	20	1 675 628.40		- Temporary	4	97 668		- Contract	0	0		Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package.			2	Percentage of total water usage per month <Insert table showing monthly water usage >	60 990.50	85%		Note: this will therefore highlight percentage of total water stock used per month			3	Total volume and cost of bulk water purchases in kilolitres and rand, by category of consumer	R (000s)		- Category 1 <insert here>	14 498.43	144 984.00		- Category 2 <insert here>	<volume>	<cost>		- Category 3 <insert here>	<volume>	<cost>		- Category 4 <insert here>	<volume>	<cost>	
1	Number and cost to employer of all personnel associated with the water distribution function:	R (000s)																																																										
	- Professional (Engineers/Consultants)	7	946 776																																																									
	- Field (Supervisors/Foremen)	2	250 773.																																																									
	- Office (Clerical/Administration)	1	113484																																																									
	- Non-professional (blue collar, outside workforce)	20	1 675 628.40																																																									
	- Temporary	4	97 668																																																									
	- Contract	0	0																																																									
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	- Category 3 <insert here>	<volume>	<cost>																																																									
	- Category 4 <insert here>	<volume>	<cost>																																																									

4	Total volume and receipts for bulk water sales in kilolitres and rand, by category of consumer: - Category 1 <insert here> (8493) - Category 2 <insert here> (8493) - Category 3 <insert here> (8493) - Category 4 <insert here> (8493) Global insight:2008		R (000s)
	51 <volume> <volume> <volume>	1 609.76 <cost> <cost> <cost>	
5	Total year-to-date water losses in kilolitres and rand <detail total>	73 188.60	R (000s) 317 053.02
Reporting Level	Detail	Total	Cost
6	Number of households with water service, and type and cost of service: - Piped water inside dwelling - Piped water inside yard - Piped water on community stand: distance < 200m from dwelling - Piped water on community stand: distance > 200m from dwelling - Borehole - Spring - Rain-water tank Note: if other types of services are available, please provide details	7981 2513 3 867 2014	R (000s) 4 788 600 1 005 200 1 546 800 132 000
7	Number and cost of new connections: <detail total>	21	R (000s) 19 560
8	Number and cost of disconnections and reconnections: <detail total>	18	R (000s) 1950
9	Number and total value of water projects planned and current: - Current (financial year after year reported on) - Planned (future years) Note: provide total project and project value as per initial or revised budget	16 31	R (000s) 1 156 990 5 140 000
10	Anticipated expansion of water service: - Piped water inside dwelling - Piped water inside yard - Piped water on community stand: distance < 200m from dwelling - Piped water on community stand: distance > 200m from dwelling - Borehole - Spring - Rain-water tank Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	0 7 1 136 0 0 0 0	R (000s) 0 2 800 454 400 0 0 0 0
11	Estimated backlog in number (and cost to provide) water connection: - Piped water inside dwelling - Piped water inside yard - Piped water on community stand: distance < 200m from dwelling - Piped water on community stand: distance > 200m from dwelling - Borehole - Spring - Rain-water tank Note: total number should appear in IDP, and cost in future budgeted capital housing programmes	n/a n/a <10> <10> <5> <2> <2000>	R (7160000) n/a n/a <50 000> <50 000> <130 000> <260 000> <6800000>
12	Free Basic Service Provision: - Quantity (number of households affected)	<6000>	

	- Quantum (value to each household) Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.	<value>	
13	Type and number of grants and subsidies received: <i>CHDM subsidy</i> Note: total value of specific water grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.	1	R (000s) 5 240 941.51
14	Total operating cost of water distribution function		R (000s)

## 10. Electricity distribution function's performance

Function:	Electricity		
Sub Function:	Electricity Distribution		
Reporting Level	Detail	Total	Cost
53	Tsolwana local Municipality - Annual Report 2010-2011		

Overview:	Includes the bulk purchase and distribution of electricity			
Description of the Activity:	<p>The electricity purchase and distribution functions of the municipality are administered as follows and include:</p> <p><i>&lt;Both in urban areas the municipality provides and maintain electricity services except Luxolweni township which is serviced by Eskom and in rural areas&gt;</i></p> <p>These services extend to include <i>&lt;function/area&gt;</i>, but do not take account of <i>&lt;function/area&gt;</i> which resides within the jurisdiction of <i>&lt;national/provincial/other private sector&gt;</i> government. The municipality has a mandate to:</p> <p><i>&lt;The municipality provides and maintain electricity in urban areas and liaise with Eskom for rural areas&gt;</i></p> <p>The strategic objectives of this function are to:</p> <p><i>&lt;To ensure improved household and business access to electricity&gt;</i></p> <p>The key issues for 2010/11 are:</p> <p><i>&lt;HOUSE CONNECTIONS IN MATYATYA, 231 HUOSE CONNECTION IN RUARAL AREAS AND 500 CONNECTION IN HOFMEYR&gt;</i></p>			
Analysis of the Function:	<p><i>&lt;Provide statistical information on (as a minimum):&gt;</i></p>			
1	<p>Number and cost to employer of all personnel associated with the electricity distribution function:</p> <ul style="list-style-type: none"> <li>- Professional (Engineers/Consultants)</li> <li>- Field (Supervisors/Foremen)</li> <li>- Office (Clerical/Administration)</li> <li>- Non-professional (blue collar, outside workforce)</li> <li>- Temporary</li> <li>- Contract</li> </ul> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package.</p>	<p><i>&lt;This service is outsourced&gt;</i></p> <p><i>&lt;n/a&gt;</i></p> <p><i>&lt;n/a&gt;</i></p> <p><i>&lt;n/a&gt;</i></p> <p><i>&lt;n/a&gt;</i></p> <p><i>&lt;n/a&gt;</i></p>	R 180000	<i>&lt;cost&gt;</i>
2	<p>Total quantity and cost of bulk electricity purchases in kilowatt hours and rand, by category of consumer</p> <ul style="list-style-type: none"> <li>- Residential</li> <li>- Commercial</li> <li>- Industrial</li> <li>- Mining</li> <li>- Agriculture</li> <li>- Other</li> </ul>	<p><i>&lt;volume&gt;</i></p> <p><i>&lt;volume&gt;</i></p> <p><i>&lt;volume&gt;</i></p> <p><i>&lt;volume&gt;</i></p> <p><i>&lt;volume&gt;</i></p> <p><i>&lt;volume&gt;</i></p>	R (000s)	<i>&lt;cost&gt;</i>
3	<p>Total quantity and receipts for bulk electricity sales in kilowatt hours and rand, by category of consumer:</p> <ul style="list-style-type: none"> <li>- Household</li> <li>- Commercial</li> <li>- Industrial</li> <li>- Mining</li> </ul>	<p><i>&lt;volume&gt;</i></p> <p><i>&lt;volume&gt;</i></p> <p><i>&lt;volume&gt;</i></p> <p><i>&lt;volume&gt;</i></p>	R (000s)	<i>&lt;cost&gt;</i>

	- Agriculture - Other	<volume> <volume>	<cost> <cost>
4	Total year-to-date electricity losses in kilowatt hours and rand <detail total>	<volume>	R (000s) <cost>
5	Number of households with electricity access, and type and cost of service:		R (000s)
Reporting Level	Detail	Total	Cost
	- Electrified areas - Municipal - Eskom - Alternate energy source - Gas - Paraffin - Solar - Wood - Non electrified  Note: if other types of services are available, please provide details	<3500> <4993>  <n/a> <n/a> <n/a> <n/a> <n/a> <341>	<21000000> <29958000>  <n/a> <n/a> <n/a> <n/a> <n/a> <28000000>
6	Number and cost of new connections: <detail total>	<145>	R 200000s) <2000000>
7	Number and cost of disconnections and reconnections <detail total>	<80>	R (000s) <28980>
8	Number and total value of electrification projects planned and current: - Current (financial year after year reported on) - Planned (future years)  Note: provide total project and project value as per initial or revised budget	<341> <181>	R (000s) <28000000> <1086000>
9	Anticipated expansion of electricity service: <detail total>  Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	<120>	R (000s) <720000>
10	Estimated backlog in number (and cost to provide) water connection: <detail total>  Note: total number should appear in IDP, and cost in future budgeted capital housing programmes	<1400>	R (000s) <8120000>
11	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household)  Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.	<total> <value>	
12	Type and number of grants and subsidies received: <list each grant or subsidy separately>  Note: total value of specific electricity grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.	<141>	R (000s) <38000000>
13	Total operating cost of electricity distribution function		R (000s)

# **ANNEXURES**



# **AUDITOR GENERAL'S REPORT**





AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# **Audit Report**

## **Tsolwana Municipality**

For the Year ended 30 June 2011





AUDITOR-GENERAL  
SOUTH AFRICA

The Accounting Officer  
Tsolwana Municipality  
P.O.Box 21  
Tarkastad  
5370

30 November 2011

Reference: 21303REG10/11

Dear Sir/Madam

**Report of the Auditor-General on the financial statements and other legal and regulatory requirements of municipality for the year ended 30 June 2011.**

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) municipality; of the MFMA you are required to include the audit report in the municipality's annual report to be tabled.
4. Until the annual report is tabled as required by section 127(2) of the MFMA municipality the audit report is not a public document and should therefore be treated as confidential.
5. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
  - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
  - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.

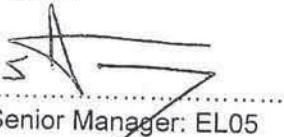


6. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed

A handwritten signature consisting of a stylized 'T' and 'N' followed by a horizontal line.

.....  
Senior Manager: EL05

Enquiries: Teresa Naidoo  
Telephone: (043) 709 7200  
Fax: (043) 709 7300



## **REPORT OF THE AUDITOR-GENERAL TO EASTERN CAPE PROVINCIAL LEGISLATURE AND COUNCIL ON TSOLWANA MUNICIPALITY**

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Introduction**

1. I have audited the accompanying financial statements of the Tsolwana Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and the accounting officer's report, as set out on pages ... to ....

#### **Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act no 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DoRA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor-General's responsibility**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



### **Opinion**

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Tsolwana Municipality as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with GRAP and the requirements of the MFMA and DoRA.

### **Emphasis of matters**

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

### **Restatement of corresponding figures**

9. As disclosed in note 30 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of errors discovered in the financial statements of the Tsolwana Municipality during 2011.

### **Unauthorised and fruitless and wasteful expenditure**

10. The municipality incurred unauthorised expenditure of R5 873 374 as a result of exceeding the total amount of the vote, as disclosed in note 39.1.
11. The municipality incurred fruitless and wasteful expenditure of R563 536 due to the payment of the salary of a senior manager who had been suspended for the year, as disclosed in note 39.2.

### **Material losses/ Impairments**

12. The municipality suffered a significant distribution loss relating to electricity of 4 117 218 units (Kwh), representing 47% of the units during the year under review, as disclosed in note 39.4.
13. The municipality had receivables for service charges totalling R7 793 276 at 30 June 2011, which had been outstanding for more than six months. The recoverability of these amounts is doubtful, as disclosed in notes 14 and 15.

### **Material underspending of the vote**

14. The municipality had materially underspent its budget. At the date of this report, the underspending amounted to R5 319 046 and no satisfactory explanation was provided. This underspending related to the votes of planning and development, cemeteries, sports and recreation, public safety, water and sanitation as disclosed in note 38.2.

The impact of the underspending is that performance targets relating to the above votes were not met.



## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

15. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages ... to ... and material non-compliance with laws and regulations applicable to the municipality.

### **Predetermined objectives**

#### **Presentation of information**

16. The following criteria are relevant and there are no findings:

- Performance against predetermined objectives is reported using the National Treasury guidelines

Audit finding:

#### **Measures taken to improve performance not reported**

Forty-two 42 instances were identified where the annual performance report did not reflect measures taken to improve performance.

### **Usefulness of information**

17. The following criteria are relevant to the findings below:

- Consistency: Objectives, indicators and targets are consistent between planning and reporting documents
- Relevance: A clear and logical link exists between the objectives, outcomes, outputs, indicators and performance targets
- Measurability: Indicators are well-defined and verifiable, and targets are specific, measurable and time bound

Audit findings:

#### **Reported indicators are not consistent when compared with the planned indicators/targets**

18. Reported performance against predetermined indicators and targets were not consistent with the approved integrated development plan.

#### **Changes to planned indicators/targets are not approved**

19. Inconsistent indicators and targets were reported on as opposed to the approved integrated development plan. These adjustments were not subsequently approved.

#### **Planned and reported targets are not specific**

20. For the selected objectives, 76% of the planned and reported targets were not specific in clearly identifying the nature and the required level of performance.

#### **Planned and reported targets are not/measurable**

21. For the selected objectives, 76% of the planned and reported targets were not measurable in identifying the required performance.



**Planned and reported targets are not time bound**

22. For the selected objectives, 74% of the planned and reported targets were not time bound in specifying the time period or deadline for delivery.

**Reliability of information**

23. The following criteria are relevant to the findings below:

- Validity: Actual reported performance has occurred and pertains to the entity.
- Accuracy: Amounts, numbers and other data relating to reported actual performance have been recorded and reported appropriately.
- Completeness: All actual results and events that should have been recorded have been included in the annual performance report.

Audit findings:

**The validity, accuracy and completeness of reported performance against indicators and targets could not be confirmed as no supporting source information was provided**

24. For the selected programmes, 50% of the reported targets were not valid, accurate and complete based on the source information or evidence provided.

**Compliance with laws and regulations**

**Expenditure management**

25. As per section 65(2)(e) of the MFMA, outstanding monies owing by the municipality were not paid within 30 days of receiving the relevant invoice or statement. The total balance owing by the municipality, which was not paid within the prescribed amount of time, amounted to R99 779.

26. As per section 32(4) of the MFMA, the accounting officer did not inform the MEC for Local Government and the Auditor-General of the unauthorised, irregular and fruitless and wasteful expenditure incurred during the financial year.

27. The accounting officer did not take reasonable steps to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

**Audit Committee**

28. As per section 166(2) of the MFMA the audit committee did not advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality on internal financial control and internal audits, risk management and compliance with the MFMA, the DoRA and any other applicable legislation.

**INTERNAL CONTROL**

29. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.



### **Leadership**

30. The accounting officer did not exercise sufficient oversight responsibility over compliance with laws and regulations and related internal control.

### **Financial and performance management**

31. The municipality did not have sufficient compensating manual controls to ensure compliance with laws and regulations.

### **Governance**

32. The audit committee did not perform all the functions as documented in the audit charter, thereby rendering it ineffective.

## **OTHER REPORTS**

### **Investigations**

33. An investigation is being conducted into the allegations against the technical services manager, in respect of suspected fraudulent procurement practices. At year-end the investigation was ongoing.



Auditor-General

East London

30 November 2011



*Auditing to build public confidence*



**ANNUAL FINANCIAL STATEMENTS**

**2010/11 FINANCIAL YEAR**



# **TSOLWANA**

## **MUNICIPALITY**



[These financial statements have been audited]

## **FINANCIAL STATEMENTS**

**30 JUNE 2011**



# **TSOLWANA LOCAL MUNICIPALITY**

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# TSOLWANA LOCAL MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Tsolwana Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Tsolwana Municipality includes the following areas:

*Tarkastad*

*Hofmeyr*

#### MUNICIPAL MANAGER

*S Dayi*

#### CHIEF FINANCIAL OFFICER

*GJ de Jager*

#### REGISTERED OFFICE

*Tarkastad*

#### AUDITORS

*Office of the Auditor General (EC)*

#### PRINCIPLE BANKERS

*First National Bank, Tarkastad*

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations



# TSOLWANA LOCAL MUNICIPALITY

## MEMBERS OF THE TSOLWANA LOCAL MUNICIPALITY

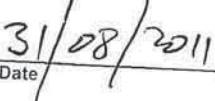
### COUNCILLORS

	<u>Up to 19 May 2011</u>	<u>As from 1 June 2011</u>
Ward 1	M Mangcotoya	M Mangcotoya
Ward 2	T Baleng	T Baleng
Proportional	N Meje	V Dyasi
Ward 3	M Hlahla	N Ngcefe
Proportional	N Seteni	G Hlomendlini
Ward 4	N Temo	N Nqabisa
Proportional	F Tshambu	M Bennett
Ward 5	K Nqiqhi	I van heerden
Proportional (Mayor)	M Bennett	K Nqiqhi
Proportional	R Sparrow	C Boast

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

  
\_\_\_\_\_  
S Dayi  
Municipal Manager

  
\_\_\_\_\_  
Date / 31/08/2011



**TSOLWANA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011**

NET ASSETS AND LIABILITIES	Notes	2011 R	2010 R
<b>Net Assets</b>			
Accumulated Surplus/(Deficit)		99 572 708	96 985 750
<b>Non-Current Liabilities</b>		99 572 708	96 985 750
Long-term Liabilities		2 957 063	2 465 485
Employee benefits	2	128 278	178 485
<b>Current Liabilities</b>	3	2 828 785	2 287 000
Consumer Deposits		8 988 072	9 730 166
Current Employee benefits	4	93 240	86 755
Payables from exchange transactions	5	1 193 120	1 061 722
Unspent Conditional Government Grants and Receipts	6	1 383 414	1 299 737
Taxes	7	4 230 714	5 898 969
Cash and Cash Equivalents	8	1 882 252	1 190 817
Current Portion of Long-term Liabilities	17	155 124	155 678
Total Net Assets and Liabilities		50 207	36 487
<b>ASSETS</b>		<u>111 517 843</u>	<u>109 181 401</u>
<b>Non-Current Assets</b>			
Property, Plant and Equipment		87 429 909	83 696 912
Investment Property	9	59 304 535	55 226 923
Intangible Assets	10	27 713 184	28 268 613
Non-Current Assets held for sale	11	148 190	201 376
<b>Current Assets</b>	12	264 000	-
Inventory		24 087 933	25 484 489
Receivables from exchange transactions	13	275 845	49 322
Receivables from non-exchange transactions	14	11 255 259	9 830 491
Operating Lease Asset	15	478 036	481 351
Taxes	16	1 172	1 172
Cash and Cash Equivalents	8	1 644 476	800 870
Total Assets		10 433 144	14 321 283
		<u>111 517 842</u>	<u>109 181 401</u>



**TSOLWANA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

REVENUE	Notes	2011 (Actual) R	2010 (Restated) R	Correction of error R	2010 (Previously reported) R
Revenue from Non-exchange Transactions					
Taxation Revenue		40 891 887	58 090 720	-	58 090 721
Property taxes	18	1 123 557	222 463	-	222 463
Transfer Revenue		1 123 557	222 463	-	222 463
Government Grants and Subsidies - Capital	19	39 762 589	57 485 323	-	57 485 323
Government Grants and Subsidies - Operating	19	9 841 848	12 477 777	-	12 477 777
Public Contributions and Donations		29 920 742	45 007 546	-	45 007 546
Other Revenue		5 741	382 934	-	382 934
Reduction in carrying amount of provision/access provision		-	378 543	-	378 543
Fines		5 741	4 391	-	4 391
Revenue from Exchange Transactions					
Service Charges	20	14 044 594	12 109 597	6 718 604	5 390 993
Rental of Facilities and Equipment		3 939 648	3 615 850	-	3 615 850
Interest Earned - external investments		85 167	70 475	-	70 475
Interest Earned - outstanding debtors		566 958	814 141	11 820	802 321
Licences and Permits		387 951	35 077	-	35 077
Agency Services		-	-	-	-
Water service authority contribution	21	255 081	547 060	-	547 060
Other Income	22	8 573 365	6 762 086	6 762 086	547 060
Gain on disposal of Property, Plant and Equipment		208 353	264 907	(55 303)	320 210
Total Revenue		<u>54 936 481</u>	<u>70 200 317</u>	<u>6 718 604</u>	<u>63 481 714</u>
EXPENDITURE					
Employee related costs	23	14 234 772	10 099 063	3 225 535	6 873 528
Remuneration of Councillors	24	1 999 330	1 741 602	-	1 741 602
Debt Impairment		2 065 668	-	-	-
Depreciation and Amortisation	25	5 474 153	5 120 220	5 120 220	-
Repairs and Maintenance	26	2 990 070	1 781 068	886 404	894 684
Actuarial losses		185 258	1 190 443	-	1 190 443
Finance Charges	3	30 528	33 420	-	-
Bulk Purchases	27	5 370 608	3 866 623	13 186	20 284
Grants and Subsidies	28	3 231	2 490	-	3 866 623
Operating Grant Expenditure	29	10 597 313	29 052 781	-	-
General Expenses		9 398 592	6 485 406	2 644 704	29 052 781
Loss on disposal of Property,Plant and Equipment	30	-	1 637 338	(327 485)	3 840 703
Total Expenditure		<u>52 349 523</u>	<u>61 010 474</u>	<u>11 565 004</u>	<u>49 445 470</u>
NET SURPLUS/(DEFICIT) FOR THE YEAR		<u>2 586 958</u>	<u>9 189 842</u>	<u>(4 846 400)</u>	<u>14 036 243</u>



**TSOLWANA LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011**

	Housing Development Fund	Accumulated Surplus/ (Deficit)	Total
	R	R	R
Balance at 1 JULY 2009			
Change in accounting policy	45 777	100 163 145	100 208 922
Correction of error			
Restated Balance at 1 JULY 2009		(12 413 015)	(12 413 015)
Net Surplus for the year	45 777	87 750 130	87 795 907
Transfer to Accumulated Surplus		9 189 842	9 189 842
Balance at 30 JUNE 2010	(45 777)	45 777	
Net Surplus for the year		96 985 750	96 985 750
Transaksies op surplus - stel nog reg		2 586 958	2 586 958
Balance at 30 JUNE 2011		99 572 708	99 572 708



**TSOLWANA LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	30 JUNE 2011 R	30 JUNE 2010 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts			
Ratepayers and other		8 883 366	8 002 319
Government - operating		29 920 742	45 007 546
Government - capital		9 841 848	12 477 777
Interest		954 909	849 218
Payments			
Suppliers and employees		(44 024 864)	(50 932 407)
Finance charges	27	(30 528)	(33 420)
Transfers and Grants		(3 231)	(2 490)
<b>Cash generated by operations</b>	34	<u>5 542 241</u>	<u>15 368 543</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		9	(9 427 894)
Proceeds on Disposal of Fixed Assets			(11 102 069)
Purchase of Intangible Assets			-
<b>Net Cash from Investing Activities</b>		<u>-</u>	<u>(206 682)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(36 487)	(22 557)
New loans raised		-	69 844
Increase in Consumer Deposits		6 485	10 535
<b>Net Cash from Financing Activities</b>		<u>(30 002)</u>	<u>57 822</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u><u>(3 887 584)</u></u>	<u><u>4 117 614</u></u>
Cash and Cash Equivalents at the beginning of the year			
Cash and Cash Equivalents at the end of the year	35	<u>14 165 605</u>	<u>10 047 992</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u><u>10 278 020</u></u>	<u><u>14 165 605</u></u>
		<u><u>(3 887 585)</u></u>	<u><u>4 117 613</u></u>



## **1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE ANNUAL FINANCIAL STATEMENTS**

### **1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

<b>GRAP 5</b>	Borrowing Costs
<b>GRAP 6</b>	Consolidated and Separate Financial Statements
<b>GRAP 7</b>	Investments in Associate
<b>GRAP 8</b>	Interests in Joint Ventures
<b>GRAP 101</b>	Agricultural
<b>GRAP 102</b>	Intangible assets
<b>IPSAS 20</b>	Related Party Disclosure
<b>IFRS 3 (AC140)</b>	Business Combinations
<b>IFRS 4 (AC141)</b>	Insurance Contracts
<b>IFRS 6 (AC143)</b>	Exploration for and Evaluation of Mineral Resources
<b>IAS 12 (AC102)</b>	Income Taxes
<b>SIC – 21 (AC421)</b>	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
<b>SIC – 25 (AC425)</b>	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
<b>SIC – 29 (AC429)</b>	Service Concessions Arrangements – Disclosures
<b>IFRIC 2 (AC435)</b>	Members' Shares in Co-operative Entities and Similar Instruments
<b>IFRIC 4 (AC437)</b>	Determining whether an Arrangement contains a Lease
<b>IFRIC 9 (AC442)</b>	Reassessment of Embedded Derivatives
<b>IFRIC 12 (AC445)</b>	Service Concession Arrangements
<b>IFRIC 13 (AC446)</b>	Customer Loyalty Programmes
<b>IFRIC 14 (AC447) IAS19</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
<b>IFRIC 15 (AC448)</b>	Agreements for the Construction of Real Estate
<b>IFRIC 16 (AC449)</b>	Hedges in a Net Investment in a Foreign Operation



The municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective.

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

The municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not yet effective.

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.



In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

## **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

## **1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

## **1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

## **1.5. PRESENTATION OF BUDGET INFORMATION**

As noted, GRAP 24 is not yet effective, however budget information required in terms of GRAP 1 paragraph 14 to 18 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

## **1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.



**1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Standard	Description	Effective Date
GRAP 6 (Revised)	<b>Consolidated and Separate Financial Statements</b> No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
GRAP 7 (Revised)	<b>Investments in Associate</b> No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
GRAP 8 (Revised)	<b>Interest in Joint Ventures</b> No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
GRAP 18	<b>Segment Reporting</b> Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 24	<b>Presentation of Budget Information in Financial Statements</b> Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 25	<b>Employee Benefits</b> Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 103	<b>Heritage Assets</b> No adjustments necessary as the municipality has no significant heritage assets.	1 April 2012
GRAP 104	<b>Financial Instruments</b> Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 105	<b>Transfer of Functions Between Entities Under Common Control</b> No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
GRAP 106	<b>Transfer of Functions Between Entities Not Under Common Control</b> No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
GRAP 107	<b>Mergers</b> No significant impact is expected as the municipality does not participate in such business transactions.	Unknown

These standards, amendments and interpretations will not have a significant impact on the municipality once implemented.



## 1.8. LEASES

### 1.8.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

### 1.8.2 *Municipality as Lessor*

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

## 1.9. GOVERNMENT GRANTS AND RECEIPTS

### 1.9.1 *Unspent Conditional Government Grants and Receipts*

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants and subsidies.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.



### **1.9.2 *Unpaid Conditional Government Grants and Receipts***

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.



## **1.10. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

## **1.11. PROVISIONS**

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.



Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

## 1.12. EMPLOYEE BENEFITS

### (a) *Post Retirement Medical Obligations*

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee unfunded. The plan is

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

### (b) *Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries, and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

### (c) *Ex Gratia Gratuities*

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the



period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(d) Accrued Leave Pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

**(e) Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

**(f) Pension and Retirement Fund Obligations**

The municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

**1.13. BORROWING COSTS**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

**1.14. PROPERTY, PLANT AND EQUIPMENT**

**1.14.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.



When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### ***1.14.2 Subsequent Measurement – Cost Model***

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### ***1.14.3 Depreciation and Impairment***

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:



Asset Class	Asset Sub-grouping	Useful Life (Yrs)
Land	None	Indefinite
Buildings	None	100
Infrastructure	Electricity	6 - 50
	Roads	6 - 28
	Stormwater	7 - 44
Community Assets	None	100
Leased Asset	None	5
Other Assets	Computer equipment	5 - 15
	Furniture and Fittings	5 - 15
	Office equipment	5 - 15
	Plant and equipment	6 - 12
	Vehicles and Specialised Vehicles	5 - 10

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### 1.14.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.14.5 Land and Buildings and Other Assets – Application of Deemed Cost (Directive 7)

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

### 1.15. INTANGIBLE ASSETS

#### 1.15.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are



attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, the deemed cost is the carrying amount of the asset(s) given up.

#### **1.15.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### **1.15.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5
Computer Software Licenses	5

#### **1.15.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.15.5 Application of deemed cost (Directive 7)**

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.



## **1.16. INVESTMENT PROPERTY**

### **1.16.1 Initial Recognition**

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### **1.16.2 Subsequent Measurement – Cost**

Subsequent to initial recognition, investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

### **1.16.3 De-recognition**

Investment property is derecognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.16.4 Application of deemed cost - Directive 7**

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

## **1.17. NON-CURRENT ASSETS HELD FOR SALE**

### **1.17.1 Initial Recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.



### **1.17.2 Subsequent Measurement**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

## **1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS**

### **1.18.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

### **1.18.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.



The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

#### **1.19. NON CURRENT INVESTMENTS**

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.



## **1.20. INVENTORIES**

### **1.20.1 Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **1.20.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs

## **1.21. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

### **1.21.1 Initial Recognition**

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

### **1.21.2 Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

#### **1.21.2.1 Receivables**

Receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.



For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### **1.21.2.2 Payables and Annuity Loans**

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### **1.21.2.3 Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

#### **1.21.3 *De-recognition of Financial Instruments***

##### **1.21.3.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or



- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.21.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.21.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **1.22. REVENUE**

#### **1.22.1 Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.



Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

After a period of twelve months all unclaimed deposits into the municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

#### **1.22.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.



Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

### **1.22.3 Grants, Transfers and Donations (Non-Exchange Revenue)**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### **1.23. RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.



*(a) Related parties include:*

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2<sup>nd</sup> and 3<sup>rd</sup> bullet, or over which such a person is able to exercise significant influence.

*(b) Key management personnel include:*

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

#### **1.24. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted or is expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or is expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.25. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.26. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.27. CONTINGENT LIABILITIES**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.



## **1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

### ***Post Retirement Medical Obligations, Long Service Awards and Ex Gratia Gratuities***

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

### ***Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

### ***Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

### ***Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

### ***Investment Property***

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.



For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### *Provisions and Contingent liabilities*

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

#### *Revenue Recognition*

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### *Provision for Landfill Sites*

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

#### *Provision for Clearing of Alien Vegetation*

The municipality has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation. This was based on the current clearing cost per hectare and the total size of the land to be cleared. Assessment of the clearing costs is based on quotations from suppliers and is made every second year and adjusted for inflationary in the alternate years.

#### *Provision for Task Implementation and Back Pay*

The provision at 30 June 2010 for Task Implementation represents the municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

The provision at 30 June 2011 for Back Pay represents the municipality's obligation towards Section 57 Directors as a result of an amendment in their employment contracts. The calculation was based actual remuneration paid versus the requirements of the amended packages.

#### *Provision for Performance bonuses*

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by council.



#### *Provision for Staff leave*

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

#### *Pre-paid electricity estimation*

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days worth of unused electricity.

#### *Componentisation of infrastructure assets*

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

### **1.29. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

### **1.30. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

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**TSOLWANA MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

2	LONG-TERM LIABILITIES	2011 R	2010 R
	Capitalised Lease Liability - At amortised cost		
	Restatement of finance lease previously incorrectly calculated - Refer to note 32.01	178 485	195 165
	Effect on liability/Asset prior to 2009/2010		19 807
	Effect on liability/finance charges prior to 2009/2010		(4 239)
	Effect on liability/Asset for the 2009/2010 period		7 007
	Effect on liability/finance charges for the 2009/2010 period		3 904
			13 136
	Current Portion transferred to Current Liabilities	178 485	214 972
	Capitalised Lease Liability - At amortised cost	50 207	36 487
	Effect on 2009/2010	50 207	44 139 (7 652) (7 652)
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	128 278	178 485
	Refer below for maturity dates of long term liabilities:		
	The obligations under finance leases are scheduled below:		
	Amounts payable under finance leases:		Minimum lease payments
	Payable within one year	73 768	67 343
	Payable within two to five years	148 370	222 138
	Payable after five years	-	-
	<u>Less:</u> Future finance obligations	222 138	289 481
	Present value of lease obligations	(43 653)	(74 509)
	Leases are secured by property, plant and equipment - Note 9	178 485	214 972

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

3	EMPLOYEE BENEFITS	2011 R	2010 R
	Post Retirement Benefits - Refer to Note 3.1		
	Long Service Awards - Refer to Note 3.2		
	Total Non-current Employee Benefit Liabilities	2 810 682 218 103  2 828 785	2 149 979 137 021  2 287 000



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b><u>Post Retirement Benefits</u></b>		
Balance 1 July		
Contribution for the year	2 229 443	1 011 116
Interest Cost	68 127	116 749
Actuarial Loss/(Gain)	201 955	(79 464)
Total post retirement benefits 30 June	198 661	1 181 042
<u>Less:</u> Transfer of Current Portion - Note 5	<u>2 698 186</u>	<u>2 229 443</u>
Balance 30 June	<u>(87 504)</u>	<u>(79 464)</u>
	<u>2 610 682</u>	<u>2 149 979</u>
<b><u>Long Service Awards</u></b>		
Balance 1 July		
Contribution for the year	201 273	167 136
Interest Cost	47 436	64 867
Expenditure for the year	15 136	(40 131)
Actuarial Loss/(Gain)	(7 179)	-
Total long service 30 June	(13 403)	9 401
<u>Less:</u> Transfer of Current Portion - Note 5	<u>243 263</u>	<u>201 273</u>
Balance 30 June	<u>(25 160)</u>	<u>(64 252)</u>
	<u>218 103</u>	<u>137 021</u>
<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>		
Balance 1 July		
Contribution for the year	2 430 716	1 178 252
Interest cost	115 563	181 616
Expenditure for the year	217 091	(119 595)
Actuarial Loss/(Gain)	(7 179)	-
Total employee benefits 30 June	185 258	1 190 443
<u>Less:</u> Transfer of Current Portion - Note 5	<u>2 941 449</u>	<u>2 430 716</u>
Balance 30 June	<u>(112 664)</u>	<u>(143 716)</u>
	<u>2 828 785</u>	<u>2 287 000</u>

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**EMPLOYEE BENEFITS (CONTINUE)**

3.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	23	16
In-service (employee) non-members	67	-
Continuation members (e.g. Retirees, widows, orphans)	3	3
Total Members	<u>93</u>	<u>19</u>

The liability in respect of past service has been estimated to be as follows:

	2011 R	2010 R
In-service members		
Continuation members	1 644 952	1 280 123
Total Liability	<u>1 053 234</u>	<u>949 320</u>
	<u>2 698 186</u>	<u>2 229 443</u>



**TSOLWANA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

Total Liability	2009 R	2008 R
	1 011 116	995 752

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
LA Health  
Samwuned

Key actuarial assumptions used:

i) Rate of interest	2011 %	2010 %
Discount rate	9%	9%
Health Care Cost Inflation Rate	7%	7%
Net Effective Discount Rate	1%	2%
ii) Mortality rates		

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	2011 R	2010 R
Net liability/(asset)	2 610 736	2 149 979

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	2 229 443	1 011 116
Total expenses	270 136	37 285
Current service cost	68 136	116 749
Interest Cost	202 000	(79 464)
Actuarial (gains)/losses	198 661	1 181 042
Present value of fund obligation at the end of the year	2 698 240	2 229 443
<u>Less:</u> Transfer of Current Portion - Note 5	(87 504)	(79 464)
Balance 30 June	2 610 736	2 149 979

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	1.645	1.053	2.698



**TSOLWANA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	1.982	1.147	3.129	16%
Health care inflation	-1%	1.379	0.970	2.349	-13%
Post-retirement mortality	-1 year	1.699	1.099	2.797	4%
Average retirement age	-1 year	1.809	1.053	2.862	6%
Withdrawal Rate	-50%	1.818	1.053	2.862	6%

3.2 Long Service Bonuses 2011 2010

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

Key actuarial assumptions used:	2011	2010
i) Rate of interest	%	%
Discount rate		
General Salary Inflation (long-term)	8%	9%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	6%	6%
	2%	2%

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	2011 R	2010 R
Net liability	218 103	201 273
	<u>218 103</u>	<u>201 273</u>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

Total Liability	2009 R	2008 R
	<u>167 136</u>	<u>151 739</u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year  
Total expenses

Current service cost	201 273	167 136
Interest Cost	55 393	24 736
Benefits Paid	47 436	64 867
Actuarial (gains)/losses	15 136	(40 131)
	(7 179)	-
	<u>(13 403)</u>	<u>9 401</u>
Present value of fund obligation at the end of the year	<u>243 263</u>	<u>201 273</u>
<u>Less:</u> Transfer of Current Portion - Note 5		
Balance 30 June	<u>(25 160)</u>	<u>(64 252)</u>
	<u>218 103</u>	<u>137 021</u>

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		0	
General salary inflation	+1%	0.26	5%
General salary inflation	-1%	0.23	-5%
Average retirement age	-2 yrs	0.23	-5%
Average retirement age	+ 2 yrs	0.26	6%
Withdrawal rates	-50%	0.26	18%



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**3.3 Retirement funds**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

**CAPE JOINT PENSION FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in an sound financial position with a funding level of 100% (30 June 2009 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2010 financial year.

Contributions paid recognised in the Statement of Financial Performance

**CAPE RETIREMENT FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).

Contributions paid recognised in the Statement of Financial Performance

	591 846	196 369
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**DEFINED CONTRIBUTION FUNDS**

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

Government Employees Pension Fund	1 905 609	1 635 687
Municipal Councillors Pension Fund	283 175	262 188
	<u>2 188 784</u>	<u>1 897 875</u>

**4 CONSUMER DEPOSITS**

Consumer deposits	93 240	84 143
Restatement of prior year figures - Refer note 32.07	-	2 612
Total Consumer Deposits	<u>93 240</u>	<u>86 755</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>-</u>	<u>-</u>

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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**CURRENT EMPLOYEE BENEFITS**

	2010 R	2009 R
Current Portion of Post Retirement Benefits - Note 3	87 504	79 464
Current Portion of Long-Service Provisions - Note 3	25 160	64 252
Staff Leave	517 060	416 980
Bonuses	563 397	346 279
Restatement of TASK implementation due to exclusion of Water and Sanitation departments in previous period - Refer to note	154 748	
Balance previously reported	86 100	
Effect on 2009/2010	68 647	
<b>Total Current Employee Benefits</b>	<b>1 193 120</b>	<b>1 061 722</b>

The movement in current employee benefits are reconciled as follows:

Staff Leave

	2010 R	2009 R
Balance at beginning of year	416 980	629 580
Contribution to current portion	163 734	(149 240)
Expenditure incurred	(63 654)	(63 361)
<b>Balance at end of year</b>	<b>517 060</b>	<b>416 980</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Employee Bonuses and Managers Performance bonuses

Balance at beginning of year	346 279	298 578
Contribution to current portion	903 754	406 890
Expenditure incurred	(663 231)	(359 189)
<b>Balance at end of year</b>	<b>586 801</b>	<b>346 279</b>

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The section 57 Managers are entitled to a Performance bonus based on their performances to the employment contract. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

TASK Evaluation

Balance at beginning of year	154 748	-
Contribution to current portion	-	-
Expenditure incurred	(154 748)	-
<b>Balance at end of year</b>	<b>-</b>	<b>154 748</b>

The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive backpay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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**PAYABLES FROM EXCHANGE TRANSACTIONS**

	2011 R	2010 R
Trade Payables		
Suspense accounts in credit	239 371	203 758
Balance previously reported	128 173	-
Correction of monies received prior to 2009/2010 disclosed as unidentified - Refer notes 32.03 and 32.13	465 052	(269 321)
Correction of monies received during 2009/2010 disclosed as unidentified - Refer notes 32.03 and 33	(269 321)	(43 923)
Correction of monies received during 2008/2009 representing the cash suspense account - Refer to notes 32.03 and 32.13	(177 493)	
Reallocation of control account in debit previously incorrectly disclosed as control in credit - Refer notes 32.03 and 15	9 493	
Reallocation of consumer deposit previously unallocated - Refer notes 4 and 32.03	(424)	
Reallocation of VAT portion on consumer deposit previously incorrectly declared - Refer notes 32.03 and 8	52	
Reallocation of amounts previously suspense now identified as Receivables from non-exchange transactions - Refer notes 32.03 and 15	33 212	
Reallocation of transactions not previously timely cleared from the cash suspense account - Refer notes 32.03 and 33	87 406	
Restatement of balances included in the suspense account that relates to consumer debtors - Refer note 14 and 32.03	(7 371)	
Restatement of balances included in the suspense account that relates to deposits - Refer note 17 and 32.1	(96 682)	
Sundry Creditors	8 076	8 946
Balance previously reported	68 024	
Restatement of opening balance due to understatement of creditors in the past - Refer note 32.13	4 104	
Restatement of opening balance due to insufficient supporting documents - Refer note 32.03	(63 182)	
Payments received in advance	237 140	163 239
Retentions	182 745	259 783
Water Service Authority payable	587 909	664 010
<b>Total Trade Payables</b>	<b>1 383 414</b>	<b>1 299 737</b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value.

Sundry deposits include hall, builders and housing Deposits.

7

**UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

**Unspent Grants**

	4 230 714	5 898 969
National Government Grants	1 793 490	3 834 826
Provincial Government Grants	1 606 037	1 444 367
District Municipality	117 685	109 274
Other Grant Providers	713 502	510 502
Balance previously reported	1 747 222	
Correction on funds previously reported as unspent conditional no longer unspent conditional - Refer to note 32.01	(1 236 720)	
<b>Total Conditional Grants and Receipts</b>	<b>4 230 714</b>	<b>5 898 969</b>

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

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**TAXES**

8.1 **VAT PAYABLE**

VAT Payable	634 277	213 709
VAT output in suspense	1 247 975	977 160
Correction due to incorrect VAT declared in previous year on consumer deposits - Refer notes 6	-	(52)
Total Vat payable	<b>1 882 252</b>	<b>1 190 817</b>



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2010 R	2009 R
8.2	VAT RECEIVABLE		
	VAT input in suspense		
	Total VAT receivable	1 644 476	800 870
8.3	NET VAT RECEIVABLE/(PAYABLE)	<u>1 644 476</u>	<u>800 870</u>
		<u>(237 775)</u>	<u>(389 947)</u>

VAT is receivable/payable on the cash basis.



	Reconciliation of Carrying Value			Cost			Opening Balance			Restatement			Additions			WIP			Disposal			Closing balance			Opening balance			Restatement			Carrying Value Additions			Disposals			Closing Balance			Carrying Value		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R								
Land and Buildings	4 636 598	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4 826 598	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Land Buildings	4 787 600	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4 787 600	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Buildings	48 998	-	-	-	-	-	-	-	-	-	-	-	-	-	-	49 998	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Infrastructure	42 903 801	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47 184 851	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Main: Roads	28 722 876	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30 892 220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Main: Electricity	1 043 276	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 043 276	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Community Assets	13 137 648	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15 249 364	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Community Assets	19 346 598	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4 133 644	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Recreation Grounds	3 047 486	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4 133 644	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Cemetery	16 070 500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7 181 330	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Lease Assets	230 612	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16 070 500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Lease Assets	244 204	-	-	-	-	-	-	-	-	-	-	-	-	-	-	230 612	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Office Equipment	244 204	-	-	-	-	-	-	-	-	-	-	-	-	-	-	244 204	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	244 204	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Other Assets	2 141 382	-	-	-	-	-	-	-	-	-	-	-	-	-	-	782 256	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Motor Vehicles	260 899	-	-	-	-	-	-	-	-	-	-	-	-	-	-	414 576	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Plant & Equipment	19 855	-	-	-	-	-	-	-	-	-	-	-	-	-	-	134 248	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Office Equipment	284 622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	135 720	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Furniture & Fittings	56 645	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Loose Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Computer Equipment	367 861	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107 713	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Specialised Vehicles	1 161 489	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Specialised Vehicles	69 474 584	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 207 150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Other Assets	2 141 382	-	-	-	-	-	-	-	-	-	-	-	-	-	-	782 256	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Motor Vehicles	260 899	-	-	-	-	-	-	-	-	-	-	-	-	-	-	414 576	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Plant & Equipment	19 855	-	-	-	-	-	-	-	-	-	-	-	-	-	-	134 248	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Office Equipment	284 622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	135 720	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Furniture & Fittings	56 645	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Loose Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Computer Equipment	367 861	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107 713	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Specialised Vehicles	1 161 489	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Specialised Vehicles	69 474 584	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 207 150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Other Assets	2 141 382	-	-	-	-	-	-	-	-	-	-	-	-	-	-	782 256	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Motor Vehicles	260 899	-	-	-	-	-	-	-	-	-	-	-	-	-	-	414 576	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Plant & Equipment	19 855	-	-	-	-	-	-	-	-	-	-	-	-	-	-	134 248	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Office Equipment	284 622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	135 720	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Furniture & Fittings	56 645	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Loose Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Computer Equipment	367 861	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107 713	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Specialised Vehicles	1 161 489	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Specialised Vehicles	69 474 584	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 207 150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Other Assets	2 141 382	-	-	-	-	-	-	-	-	-	-	-	-	-	-	782 256	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Motor Vehicles	260 899	-	-	-	-	-	-	-	-	-	-	-	-	-	-	414 576	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Plant & Equipment	19 855	-	-	-	-	-	-	-	-	-	-	-	-	-	-	134 248	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Office Equipment	284 622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	135 720	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Furniture & Fittings	56 645	-	-	-																																						



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

30 JUNE 2010

	Reconciliation of Carrying Value	Cost Opening Balance R	Restatement R	Additions R	WIP R	Disposal	Closing Balance R	Accumulated Depreciation Opening Balance R	Restatement	Adjustments R	Disposals R	Closing Balance R	Carrying Value R
<b>Land and Buildings</b>													
Land	73 019 780	(68 232 180)	48 998	-	-	-	4 636 598	-	-	15	-	15	4 836 584
Buildings	4 908 064	(120 464)	-	-	-	-	4 737 500	-	-	-	-	-	4 787 600
<b>Infrastructure</b>													
Roads	19 066 493	15 291 222	8 546 086	-	-	-	(2) 903 801	-	-	15	-	15	48 984
Stormwater	11 083 349	14 267 174	3 352 312	-	-	-	28 722 676	7 907 985	3 963 969	11 871 954	-	-	29 997 877
Electricity	7 983 105	1 043 278	(39 230)	5 193 773	-	-	1 043 278	70 091	35 052	105 143	-	-	16 850 921
Community Assets	1 281 431	16 070 500	1 986 666	-	-	-	13 137 548	609 295	319 582	928 827	-	-	938 135
Recreation Grounds	1 166 767	1 880 719	-	-	-	-	19 346 593	-	-	321 410	195 305	-	516 715
Community assets	114 663	16 070 500	115 948	-	-	-	16 070 500	52 480	26 240	78 720	-	-	18 831 863
Cemetery	178 600	(4 239)	69 844	-	-	-	230 612	9 030	16 183	412 783	-	-	15 657 717
Lease Assets	178 600	(4 239)	69 844	-	-	-	244 204	-	-	25 213	-	-	205 389
Office Equipment	3 338 246	440 474	-	-	-	-	2 141 382	-	-	41 761	-	-	58 958
Heritage Assets	96 884 550	(36 874 667)	11 102 069	-	-	-	(1 637 338)	1 161 459	35 985	17 197	-	-	185 246
<b>Buildings</b>													
Other Assets	587 768	-	180 659	-	-	-	(517 766)	250 899	28 000	15 140	-	-	766 046
Motor Vehicles	108 048	-	-	-	-	-	(68 193)	19 855	-	4 409	2 204	-	43 140
Plant & Equipment	11 782	-	28 245	-	-	-	244 596	264 622	83 342	44 419	11 608	-	6 613
Office Equipment	331 845	-	-	-	-	-	(275 200)	56 645	-	6 087	127 761	-	13 242
Furniture & Fixtures	-	-	-	-	-	-	-	-	-	-	-	-	156 861
Loose Equipment	328 834	-	231 331	-	-	-	(193 303)	367 861	-	-	17 694	-	38 951
Computer Equipment	1 968 968	-	-	-	-	-	(807 469)	1 161 459	340 500	24 095	-	-	60 090
Specialised Vehicles	96 884 550	(36 874 667)	11 102 069	-	-	-	(1 637 338)	69 474 584	-	170 250	510 749	-	307 771
													650 749
													55 226 923

No property, plant and equipment is used as security for long term liabilities, except assets acquired in terms of a finance lease- or hire purchase agreement as disclosed in Appendix A to the financial statements

Since the previous reporting date the following adjustment were made to measure PPE in accordance with GRAP 17 and restated

2010

Infrastructure  
Community assets  
Land and buildings

15 291 222  
16 070 500  
-88 232 180  
-36 870 456  
(7 050 734)



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Assets pledged as security:	2011 R	2010 R
	No property, plant and equipment is pledged as security.		
	Third party payments received for losses incurred:		
	No third party payments were received for any losses incurred during the financial year.		
	<b>Effect of changes in accounting estimates</b>		
	No change in accounting estimates were done during the year under review.		
<b>10</b>	<b>INVESTMENT PROPERTY</b>		
	<b>Net Carrying amount at 1 July</b>	<b>28 268 613</b>	<b>28 560 042</b>
	Balance previously reported	29 142 900	45 000
	Implementation of Directive 4 - Investment property identified - Refer note 32.11	(874 287)	29 097 900
	Accumulated depreciation restated	-	(582 858)
	Assets transfer to "Held for Sale" under inventory	(264 000)	(291 429)
	Depreciation	(291 429)	(291 429)
	<b>Net Carrying amount at 30 June</b>	<b>27 713 184</b>	<b>28 268 613</b>
	Cost	28 878 000	29 142 900
	Accumulated Depreciation	(1 165 716)	(874 287)
	Since the previous reporting date the following Investment Property were measured in accordance with GRAP 16 and restated retrospectively:		
	Cost		
	Total not previously recognised now restated retrospectively	-	29 097 900
	There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.	-	29 097 900
	There are no contractual obligations to purchase, construct or develop investment property or for repairs,		



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>11 INTANGIBLE ASSETS</b>		
Computer Software		
Net Carrying amount at 1 July	201 376	5 626
Cost	212 745	6 063
Restated Accumulated Amortisation	(11 369)	(437)
Additions		
Amortisation		
Net Carrying amount at 30 June	(53 186)	206 682 (10 932)
Cost	148 190	201 376
Accumulated Amortisation	212 745	212 745
Accumulated Impairment	(64 555)	(11 369)

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

Computer software;  
Accumulated amortisation

Total not previously recognised now restated retrospectively

The following material intangible assets are included in the carrying value above

<u>Description</u>	<u>Carrying Value</u>	
	2011 R	2010 R
Microsoft Office and Windows software	148 190	201 376

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

	2011 R	2010 R
<b>12 NON-CURRENT ASSETS HELD FOR SALE</b>		

Net Carrying amount at 1 July		
Cost		
Transferred from Investment Property	264 000	-
Net Carrying amount at 30 June	264 000	-
Cost	264 000	-

The municipality is in process of selling 10 erwens. It is expected that it will be finalised during the next financial year.



**TSOLWANA MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

13	INVENTORY	2011	2010
	Stationary - At cost	52 219	34 288
	Other - At deemed cost	223 626	+
	Recognition of inventories not previously recognised - Implementation of GRAP standards - Refer to note		
	Total Inventory	275 845	49 322
	Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 12 and restated retrospectively:		
	Other - At deemed cost	15 034	
	Consumable stores materials written down due to losses as identified during the annual stores counts.	-	-
	Consumable stores materials surpluses identified during the annual stores counts.	-	-
	Inventory recognised as an expense during the year	34 288	-



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

14	RECEIVABLES FROM EXCHANGE TRANSACTIONS	2011 R	2010 R
	Electricity		
	Rentals	2 780 910	1 886 633
	Refuse	73 303	38 458
	Other	2 408 948	2 008 011
	Restatement of consumer balances - Refer note 6 and 32.08	858 960	998 100
	CHDM Service Authority		(7 371)
	Balanace previously reported	10 821 188	9 225 179
	Restatement of provision previously included in the Service Authority debtor - Refer note 32.13		5 528 290
	Restatement of wage curve provision not previously claimed - Refer note 33		3 628 235
	Total Receivables from Exchange Transactions	16 943 310	14 149 009
	Less: Allowance for Doubtful Debts	(5 688 051)	(4 318 518)
	Total Net Receivables from Exchange Transactions	11 255 259	9 830 491
	Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with		
	Ageing of Receivables from Exchange Transactions:		
	<i>(Electricity): Ageing</i>		
	Current (0 - 30 days)		
	31 - 60 Days	239 142	228 412
	61 - 90 Days	163 420	87 929
	+ 90 Days	92 103	92 001
	Total	2 286 245	1 478 290
		2 780 910	1 886 633
	<i>(Refuse): Ageing</i>		
	Current (0 - 30 days)		
	31 - 60 Days	51 396	38 437
	61 - 90 Days	43 934	32 510
	+ 90 Days	42 675	29 004
	Total	2 270 944	1 908 060
		2 408 949	2 008 011
	<i>(Rental): Ageing</i>		
	Current (0 - 30 days)		
	31 - 60 Days	2 714	2 741
	61 - 90 Days	2 719	2 719
	+ 90 Days	2 719	2 719
	Total	65 152	30 280
		73 303	38 458
	<i>(Other): Ageing</i>		
	Current (0 - 30 days)		
	31 - 60 Days	-	-
	61 - 90 Days	-	-
	+ 90 Days	-	-
	Total	858 960	959 642
		858 960	959 642
	<i>(Total): Ageing</i>		
	Current (0 - 30 days)		
	31 - 60 Days	293 252	269 590
	61 - 90 Days	210 072	123 157
	+ 90 Days	137 497	123 724
	Total	5 481 301	4 376 272
		6 122 122	4 892 743



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Reconciliation of Provision for Bad Debts	2011 R	2010 R
Balance at beginning of year		
Contribution to provision/(Reversal of provision)	4 318 518	4 779 879
Bad Debts Written Off	1 528 141	(461 361)
Balance at end of year	<u>5 688 051</u>	<u>4 318 518</u>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

15

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2011 R	2010 R
Rates		
Other Receivables	2 885 785	2 386 775
Fuel Deposits	271 651	383 629
Balance previously reported	5 000	5 000
Restatement of fuel deposit previously included under cash and cash equivalents - Refer note 17		
Employee related debtors		
Balance previously reported	4 178	5 000
Reallocation of balance in debit previously incorrectly disclosed under payables - Refer note 6		
Reallocation of amounts previously recognised in cash suspense - Refer note 6	187 532	97 029
Contractor penalties		
Frullless and Wastefull expenditure recoverable	57 109	54 575
Other		
Balance previously reported	17 832	9 493
Recognition of RD cheque for 2009/2010		
Total Receivables from Non-Exchange Transactions	3 157 435	32 961
Less: Allowance for Doubtful Debts	(2 679 399)	187 532
Total Net Receivables from Non-Exchange Transactions	<u>478 036</u>	<u>94 067</u>
		93 817
		250

Ageing of Receivables from Non-Exchange Transactions:

*(Rates): Ageing*

Current (0 - 30 days)	29 825	157 973
31 - 60 Days	60 987	118 017
61 - 90 Days	55 454	113 062
+ 90 Days		
Total	<u>2 739 519</u>	6 483 104
		2 885 785
		<u>6 872 155</u>

Reconciliation of Provision for Bad Debts

Balance at beginning of year	2 289 052	1 557 114
Contribution to provision/(Reversal of provision)	537 527	731 938
Bad Debts Written Off	(147 180)	
Balance at end of year	<u>2 679 399</u>	<u>2 289 052</u>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
16	OPERATING LEASE ARRANGEMENTS		
16.1	The Municipality as Lessor (Asset)		
	Balance on 1 July	1 172	1 034
	Movement during the year	-	137
	Balance on 30 June	<u>1 172</u>	<u>1 172</u>
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
	Up to 1 Year	5 091	11 416
	1 to 5 Years	-	5 091
	More than 5 Years	-	-
	Total Operating Lease Arrangements	<u>5 091</u>	<u>16 507</u>
	This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.		
17	CASH AND CASH EQUIVALENTS		
	<u>Assets</u>		
	Call Investments Deposits		
	Balance previously reported	8 982 414	13 095 037
	Restatement of balances previously incorrectly disclosed - Refer note 32.13		
	Capital Bank Account	961 791	947 773
	Housing Bank Account	488 849	278 383
	Cash Floats	90	90
	Balance previously reported		
	Reallocation of Fuel deposit to Receivables from non-exchange transactions - Refer note 15		
	Total Cash and Cash Equivalents - Assets	<u>10 433 144</u>	<u>14 321 283</u>
	<u>Liabilities</u>		
	Primary Bank Accounts		
	Restatement of deposits previously included in the closing balances - Refer note 32.1	155 124	58 996
	Total Cash and Cash Equivalents - Liabilities	<u>155 124</u>	<u>96 682</u>
	Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
	The municipality has the following bank accounts:		
	<u>Current Accounts</u>		
	First National Bank - Tarkastad Branch - Account number 53852257262 - Operating	(155 124)	(155 678)
		<u>(155 124)</u>	<u>(155 678)</u>
	<i>First National Bank - Tarkastad Branch - Account number 53852257262 - Operating</i>		
	Cash book balance at beginning of year	(155 678)	2 502 725
	Cash book balance at end of year	(155 124)	(155 678)
	Bank statement balance at beginning of year	396 484	2 686 348
	Bank statement balance at end of year	888 513	396 484
	<i>First National Bank - Tarkastad Branch - Account number 62023697157 - Capital</i>		
	Cash book balance at beginning of year	947 773	792 361
	Cash book balance at end of year	961 791	947 773
	Bank statement balance at beginning of year	1 326 211	881 694
	Bank statement balance at end of year	1 496 970	1 326 211



**TSOLWANA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
<i>First National Bank - Tarkastad Branch - Account number 53850009219 - Housing</i>		
Cash book balance at beginning of year	278 383	181 663
Cash book balance at end of year	488 849	278 383
 Bank statement balance at beginning of year		
Bank statement balance at end of year	386 002	213 625
<b><u>Call Investment Deposits</u></b>	<b><u>488 849</u></b>	<b><u>386 002</u></b>
 Call investment deposits consist out of the following accounts:		
FNB - Acc. No. 61385739962 - Consultant provisional fund	3 227	3 195
FNB - Acc. No. 62000235938 - Rightsizing fund	82 729	81 459
FNB - Acc. No. 62067415127 - Employee leave reserve	132 339	128 948
FNB - Acc. No. 62023982855 - Transitional Grant	39 323	38 908
FNB - Acc. No. 62033770547 - General operational fund	3 208	3 176
FNB - Acc. No. 62055138921 - HR Related projects	203 659	198 441
FNB - Acc. No. 62018962292 - Water maintenance fund	630 804	697 252
FNB - Acc. No. 62046892180 - Tsolwana equitable share	11 509	11 394
FNB - Acc. No. 62046892239 - Tsolwana municipality Hofmeyer equitable share	7 186	7 114
FNB - Acc. No. 62046892320 - Disaster fund	1 692	1 675
FNB - Acc. No. 62033358814 - Hofmeyer unidentified fund	4 409	4 365
FNB - Acc. No. 61385739623 - Revolving fund	212 305	206 865
FNB - Acc. No. 62046892297 - Tsolwana - Ntabathemba equitable share	674 593	655 070
FNB - Acc. No. 61385739649 - IGG Subsidy fund	32 349	32 008
FNB - Acc. No. 62048905600 - MSP fund	136 428	2 193 702
FNB - Acc. No. 62050961286 - Spacial development fund	400 016	389 409
FNB - Acc. No. 62050960759 - Luxolweni planning fund	7 035	6 965
FNB - Acc. No. 62059515349 - Valuation fund	150 023	146 179
FNB - Acc. No. 61385738039 - Development plan fund	156 743	152 726
FNB - Acc. No. 60385017162 - Deposit account	19 390	19 197
FNB - Acc. No. 62027824488 - Municipal Finance Management fund	37 823	36 997
FNB - Acc. No. 62067412678 - Working Capital fund	335 700	1 159 888
FNB - Acc. No. 62010465236 - Dawn Park town planning	1 301 314	1 256 115
FNB - Acc. No. 61385739681 - Water and Electricity fund	5 659	5 602
FNB - Acc. No. 62033770810 - Implementation free basic	111 987	109 118
FNB - Acc. No. 62035462994 - IMPOV FUND	13 246	13 114
FNB - Acc. No. 62179911295 - Mapping fund	656 610	285 618
FNB - Acc. No. 62179913829 - Tourism sector plan	63 141	62 149
FNB - Acc. No. 62019475096 - 671 Housing fund CMIP	2 554	2 529
FNB - Acc. No. 62030669537 - 671 Housing Establishment fund	1 620	1 604
FNB - Acc. No. 62061007219 - Thornhill Housing Fund CMIP	2 366	2 343
FNB - Acc. No. 62066741747 - 1400 Housing Establishment fund	143 573	139 894
FNB - Acc. No. 62025637705 - 671 Admin Housing Fund	1 448	1 433
FNB - Acc. No. 62066741929 - 1400 Housing Infrastructure fund	119 679	116 612
FNB - Acc. No. 62000659104 - Tarkastad Housing Site Fund	8 519	8 434
FNB - Acc. No. 62061334977 - 1004 Top Structure CMIP	47 259	46 760
FNB - Acc. No. 62022263058 - Housing Development fund	1 804	1 786
FNB - Acc. No. 62082751184 - Hofmeyer 1000 Housing Top Structure fund	47 091	46 595
FNB - Acc. No. 62082749808 - Hofmeyer 1000 Housing Infrastructure fund	239 504	233 367
FNB - Acc. No. 62127618059 - Thornhill Housing fund	224 135	218 392
FNB - Acc. No. 62127622539 - 671 Housing topstructure fund	14 185	14 044
FNB - Acc. No. 62127621408 - 1000 Housing topstructure fund	99 982	98 446
FNB - Acc. No. 62127624296 - 1000 Hofmeyer housing structure fund	56 860	55 987
FNB - Acc. No. 62196097995 - MIG fund	86 553	116 363
FNB - Acc. No. 62240939100 - DME fund	2 198 957	1 395 669
Suspence - Capital cash book	251 878	2 687 445
	4 727	4 727
	<b>8 982 414</b>	<b>13 099 083</b>

18

**PROPERTY RATES**

*Actual*

**Rateable Land and Buildings**

Residential, Commercial Property, State

Less: Rebates

**Total Assessment Rates**

1 093 797	1 374 854
1 093 797	1 374 854
29 760	(1 152 392)
<b>1 123 557</b>	<b>222 463</b>



**TSOLWANA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008.

Rates:	c/R	c/R
Residential Properties	0.54	0.51
Commercial/Business Properties	1.08	1.02
Public Service Infrastructure	-	-
Public Benefit Organisations	0.14	0.13
Industrial Properties	1.08	1.02
Agricultural Properties used for Agricultural Purposes	0.13	0.13
Agricultural Properties used for Commercial/Industrial Purpose	0.27	0.25
Agricultural Properties used for Eco-Tourism, Conservation, Trading In or Hunting of Game	0.27	0.25
State Owned Properties	0.54	0.51
Municipal Properties	0.13	0.13
Vacant Properties	-	-
	1.08	1.02

Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

19	GOVERNMENT GRANTS AND SUBSIDIES	2011	
		R	2010
	Unconditional Grants		
	Equitable Share	19 030 869	15 627 893
	Conditional Grants	19 030 869	15 627 893
	Grants and donations	20 731 720	41 857 430
	Total Government Grants and Subsidies	20 731 720	41 857 430
	Government Grants and Subsidies - Capital	39 762 589	57 485 323
	Government Grants and Subsidies - Operating	9 841 848	12 477 777
		29 920 742	45 007 546
		39 762 589	57 485 323
	The municipality does not expect any significant changes to the level of grants.		
19.1	Equitable share		
	Opening balance		
	Grants received		
	Conditions met - Operating	18 161 888	15 627 893
	Conditions met - Capital	(18 161 888)	(15 627 893)
	Conditions still to be met	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
19.2	Local Government Financial Management Grant (FMG)		
	Opening balance		
	Grants received		
	Conditions met - Operating	3 000 000	2 750 000
	Conditions met - Capital	(3 000 000)	(2 359 936)
	Conditions still to be met	-	(455 463)
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		



**TSOLWANA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

		2011 R	2010 R
19.3	Municipal Systems Improvement Grant		
	Opening balance		
	Grants received	113 513	58 839
	Conditions met - Operating	750 000	735 000
	Conditions met - Capital	(855 131)	(680 325)
	Conditions still to be met	-	-
		<u>8 382</u>	<u>113 513</u>
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
19.4	Municipal Infrastructure Grant (MIG)		
	Opening balance		
	Grants received	1 207 831	50 925
	Conditions met - Operating	8 007 000	7 012 000
	Conditions met - Capital	(399 940)	(235 437)
	Grant expenditure to be recovered	(7 034 473)	(5 619 657)
		<u>1 780 419</u>	<u>1 207 831</u>
	The grant was used to upgrade infrastructure in previously disadvantaged areas.		
19.5	Housing Grants		
	Opening balance		
	Grants received	1 444 367	1 192 594
	Conditions met - Operating	5 715 213	25 069 162
	Conditions met - Capital	(5 553 542)	(24 817 390)
	Grant expenditure to be recovered	-	-
		<u>1 606 037</u>	<u>1 444 367</u>
	Housing grants was utilised for the development of erven and the erection of top structures.		
19.6	DME Grant		
	Opening balance		
	Grants received	2 513 481	-
	Conditions met - Operating	-	7 500 000
	Conditions met - Capital	(2 508 793)	(4 986 519)
	Conditions still to be met	4 689	2 513 481
	The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
19.6	Chris Hani Local Municipality Grant		
	Opening balance		
	Grants received	109 274	-
	Conditions met - Operating	540 846	2 116 345
	Conditions met - Capital	(233 852)	(600 000)
	Conditions still to be met	(298 582)	(1 407 071)
		<u>117 685</u>	<u>109 274</u>
	The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
19.7	Other Grants		
	Opening balance		
	Grants received	510 502	1 086 134
	Conditions met - Operating	1 050 407	120 000
	Conditions met - Capital	(847 407)	(586 565)
	Conditions still to be met	-	(9 067)
		<u>713 502</u>	<u>510 502</u>
	Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)		



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
19.8	Total Grants		
	Opening balance	5 898 969	2 453 891
	Grants received	37 225 353	60 930 401
	Conditions met - Operating	(29 051 781)	(45 007 546)
	Conditions met - Capital	(9 841 848)	(12 477 777)
	Write off - Irrecoverable grant expenditure		
	Conditions still to be met/(Grant expenditure to be recovered)	4 230 714	5 898 969
	Disclosed as follows:		
	Unspent Conditional Government Grants and Receipts	4 230 714	5 898 969
20	SERVICE CHARGES	4 230 714	5 898 969
	Electricity	4 019 492	3 406 193
	Refuse removal	1 205 822	1 148 337
	Less: Rebates	5 225 313	4 554 531
	Total Service Charges	(1 285 665)	(938 680)
		3 939 648	3 615 850
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
21	WATER SERVICES AUTHORITY CONTRIBUTION		
	Chris Hani District Municipality - Water and Sewerage functions	8 573 365	6 762 086
	Balance previously reported	-	6 762 086
	Restatement of Water Service District Authority contribution - Refer note 33		
22	OTHER INCOME	8 573 365	6 762 086
	Sundry income		
	Correction done on monies previously disclosed as unidentified	208 353	308 390
	Correction done on overstatement of income due to duplications in the cash suspense	-	43 923
	Total Other Income	(87 406)	(87 406)
		208 353	264 907
	Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones) and fees for items not included under service charges (camping, fire brigade and impounding fees)		



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

23	EMPLOYEE RELATED COSTS	2011 R	2010 R
Bargaining Council Levy		4 166	2 925
Bonus		880 349	406 890
Contributions for UIF, pensions and medical aids		2 048 289	1 502 624
Housing Subsidy		7 200	6 600
Leave Reserve Fund		163 734	-
Long service awards		62 572	64 867
Overtime		380 389	322 124
Post Employment Health		270 082	37 285
Salaries and Wages		9 985 811	6 844 103
Correction on task implementation water and services not previously recorded		68 647	
Travel, motor car, telephone, assistance and other allowances		432 179	842 998
Total Employee Related Costs		<u>14 234 772</u>	<u>10 099 063</u>

**KEY MANAGEMENT PERSONNEL**

Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

*Remuneration of the Municipal Manager*

Annual Remuneration	463 415	427 525
Performance Bonuses	76 166	-
Car Allowance	158 203	156 203
Telephone allowance	15 600	15 600
Contributions to UIF, Medical, Pension Funds and Bargaining Council	114 994	110 123
Total	<u>828 378</u>	<u>711 452</u>

*Remuneration of the Director Infrastructure and Technical Services*

Annual Remuneration	429 840	386 418
Travelling Allowance	48 000	93 490
Telephone allowance	9 600	9 600
Contributions to UIF, Medical, Pension Funds and Bargaining Council	76 097	74 007
Total	<u>563 536</u>	<u>563 515</u>

*Remuneration of the Director Corporate Services*

Annual Remuneration	474 181	386 418
Performance Bonuses	33 236	-
Travelling Allowance	48 000	93 490
Telephone allowance	9 600	9 600
Contributions to UIF, Medical, Pension Funds and Bargaining Council	78 728	74 007
Total	<u>643 745</u>	<u>563 515</u>

*Remuneration of the Director Financial Services*

Annual Remuneration	488 938	395 512
Performance Bonuses	55 393	-
Car Allowance	42 000	92 657
Telephone allowance	9 600	9 600
Contributions to UIF, Medical, Pension Funds and Bargaining Council	69 972	65 769
Total	<u>665 903</u>	<u>563 537</u>

*Remuneration of the Director Community and Social Services*

Annual Remuneration	474 181	385 280
Performance Bonuses	44 314	-
Car Allowance	48 000	94 628
Telephone allowance	9 600	9 600
Contributions to UIF, Medical, Pension Funds and Bargaining Council	78 729	74 007
Total	<u>654 824</u>	<u>563 515</u>



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

24	REMUNERATION OF COUNCILLORS	2011 R	2010 R
Mayor		472 566	421 260
Councillors		1 526 764	1 320 343
Total Councillors' Remuneration		<u>1 999 330</u>	<u>1 741 602</u>

*In-kind Benefits*

The Mayor is full time employed and all the other council member are part-time. The Mayor are provided with secretarial support and an office at the cost of the Council.

*Certification by the Municipal Manager*

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
.....  
Signed: Municipal Manager



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	DEBT IMPAIRMENT	2011 R	2010 R
25	Trade Receivables from exchange transactions - Note 14	1 528 141	(461 361)
	Trade Receivables from non-exchange transactions - Note 15	537 527	731 938
	Total Contribution to Debt Impairment	<u>2 065 668</u>	<u>270 577</u>
26	DEPRECIATION AND AMORTISATION		
	Depreciation - Note 9	5 129 538	4 817 859
	Depreciation - Note 10	291 429	291 429
	Amortisation - Note 11	53 186	10 932
	Total Contribution to Debt Impairment	<u>5 474 153</u>	<u>5 120 220</u>
27	FINANCE CHARGES		
	Finance leases	30 528	20 284
	Correction on incorrect calculation done previously	13 136	
	Total finance charges	<u>30 528</u>	<u>33 420</u>
28	BULK PURCHASES		
	Electricity	5 370 608	3 866 623
	Total Bulk Purchases	<u>5 370 608</u>	<u>3 866 623</u>
29	GRANTS AND SUBSIDIES		
	Pauper funerals	3 231	2 490
	Total Grants and Subsidies	<u>3 231</u>	<u>2 490</u>
30	GENERAL EXPENSES		
	Audit Fees	2 706 720	1 845 338
	Bank Charges	159 265	118 183
	Mayor's fund and Imbizo	242 430	68 557
	Professional Fees	219 359	236 458
	Membership Fees	104 598	118 531
	Fuel Costs	1 010 783	581 051
	Legal Costs	43 031	12 811
	Insurance	482 843	358 359
	Project Expenditure - Own Funds	413 490	123 336
	Printing and stationery	293 046	192 135
	Safety clothes	89 847	25 869
	Drought relief	784 742	-
	Skills development levy	118 976	86 147
	Telephone	245 875	199 780
	Training	181 849	72 467
	Travel and subsistence	793 599	595 815
	Cleaning materials	5 153	21 085
	Advertisement	74 951	51 070
	Entertainment	221 058	107 860
	Customer care	74 156	-
	Vehicle and Equipment hire	90 697	53 595
	Town Planning	231 515	-
	Assets on behalf of Chris Hani District Municipality	177 927	-
	Administration charges	-	-
	Rentals	86 049	29 739
	Books, Magazines and Publications	15 348	17 902
	Postage	26 071	10 676
	Interest on DBSA loan on behalf of Chris Hani District Municipality	76 616	-
	Water purification and chemicals	32 845	7 157
	Water Cart services	-	1 187 821
	Other	395 754	366 620
	Correction due to stale cheques	(2 954)	
	General Expenses	<u>9 398 592</u>	<u>6 485 406</u>



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2010 R
31	CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3	
32	CORRECTION OF ERROR IN TERMS OF GRAP 3	
32.01	Unspent Government Grants and Subsidies	
	Balance previously reported	
	Funds disclosed as unspent grants no longer regard as unspent grants - Refer to note 7	(3 690 611)
	During the amalgamation of the Hofmeyr Municipality and the Tarkastad municipality a few so called unspent grant votes were created and carried as such. However during the new approach from treasury, indicating funds due and unspent it was clear that these were not Unspent conditional grants and therefore these are now corrected and will no longer be disclosed as such.	1 236 720
		<hr/>
32.02	Long term liabilities	<hr/> <hr/> (2 453 891)
	Balance previously reported	
	Correction on finance lease liability incorrectly done in the past (asset portion) - prior to 2009/2010 - Refer to note 2	(195 165)
	Correction on finance lease liability incorrectly done in the past (redeemed portion) - prior to 2009/2010 - Refer to note 2	4 239
	Correction on finance lease liability incorrectly done in the past (asset portion) - prior year - Refer to note 2	(7 007)
	Correction on finance lease liability incorrectly done in the past (redeemed portion) - prior year - Refer to note 2	(3 904)
		(13 136)
		<hr/> <hr/> (214 972)
32.03	PAYABLES FROM EXCHANGE TRANSACTIONS	
	Balance previously reported - Suspense accounts in credit	(465 052)
	Correction of monies received prior to 2009/2010 disclosed as unidentified - Refer note 6	269 321
	Correction of monies received during 2009/2010 disclosed as unidentified - Refer note 6	43 923
	Correction of monies received during 2008/2009 representing the cash suspense account - Refer to note 6	177 493
	Reallocation of control account in debit previously incorrectly disclosed as control in credit - Refer note 6	(9 493)
	Reallocation of consumer deposit previously unallocated - Refer note 6	424
	Reallocation of VAT portion on consumer deposit previously incorrectly declared - Refer note 6	(52)
	Reallocation of amounts previously suspense now identified as Receivables from non-exchange transactions - Refer note 6	(33 212)
	Reallocation of transactions not previously timely cleared from the cash suspense account - Refer note 6	(87 406)
		7 371
		96 682
		<hr/> <hr/> -
	Balance previously reported - Other	(68 024)
	Restatement of opening balance due to understatement of creditors in the past - Refer note 6	(4 104)
	Restatement of opening balance due to insufficient supporting documentation - Refer note 6	63 182
		<hr/> <hr/> (8 946)
32.04	CURRENT EMPLOYEE BENEFITS	
	Balance previously reported - Task implementation	(86 100)
	Water and Sanitation employees provision for task implementation was not included in previous year due to treatment of the water service agency agreement - Refer to note 5	(68 647)
		<hr/> <hr/> (154 748)
32.05	Taxes	
	Balance previously reported - Vat payable	1 190 869
	Reallocation of VAT portion on consumer deposit previously incorrectly declared - Refer note 8	(52)
		<hr/> <hr/> 1 190 817



**TSOLWANA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

<b>32.06</b>	<b>Property Plant and Equipment</b>	2010 R
	Balance previously reported - Leased assets	
	Correction on finance lease liability incorrectly done in the past (asset portion) - prior to 2009/2010 - Refer to note 2 and note 9	178 600
	Correction on finance lease liability incorrectly done in the past (asset portion) - 2009/2010 - Refer to note 2 and note 9	(4 239)
		<u>3 904</u>
	Balance previously reported - Infrastructure	
	Assets not unbundled removed from the asset register - Refer notes 9 and 32.13	19 066 493
	Unbundled assets prior to 2009/2010 recognised - Refer notes 9 and 32.13	(19 066 493)
		<u>34 357 716</u>
	Balance previously reported - Land and buildings	
	Reconstruction of land and buildings - All prior years information was removed - Refer notes 9 and 32.13	73 019 780
	Recognition of land and buildings identified during reconstruction process - Refer notes 9 and 32.13	(73 019 780)
		<u>4 787 600</u>
	Balance previously reported - Community assets	
	Reconstruction of community assets - First time recognition of assets - Refer notes 9 and 32.13	1 166 767
		<u>16 070 500</u>
	Balance previously reported - Other assets	
	Restatement of loss on disposals incorrectly done in prior year - Refer notes 9 and 31	1 813 897
		<u>327 485</u>
	Balance previously reported - Accumulated depreciation	
	Implementation of GRAP 17 - 30 June 2009	2 141 382
	Depreciation for the 2009/2010 period	9 429 801
		<u>4 817 859</u>
		<u>9 429 801</u>
<b>32.07</b>	<b>Consumer deposits</b>	
	Balance previously reported	
	Reallocation of deposit incorrectly allocated to the cash suspense - Refer note 4	87 099
	Restatement of the 2009/2010 opening balance due to incorrect allocations - Refer note 4	424
	Deposits were previously incorrectly allocated	2 189
		<u>89 711</u>
<b>32.08</b>	<b>Receivables from exchange transactions</b>	
	Balance previously reported - CHDM Service Authority	
	Restatement of provision previously included in the Service Authority debtor - refer note 14	5 528 298
		<u>3 628 235</u>
	Balance previously reported - Consumer debtors	
	Restatement of provision previously included in the Service Authority debtor - refer note	9 156 532
		<u>4 931 202</u>
		<u>(7 371)</u>
		<u>4 923 830</u>
<b>32.09</b>	<b>Receivables from non-exchange transactions</b>	
	Balance previously reported - Employee related debtors	
	Reallocation of amounts previously recognised in cash suspense - Refer notes 32.03 and 15	54 575
	Reallocation of balance in debit previously incorrectly disclosed under payables - Refer notes 32.03 and 15	32 961
		<u>9 493</u>
	Balance previously reported - Other	
	Restatement of unpaid cheque - refer note 32.03 and 15	97 029
		<u>93 817</u>
		<u>250</u>
		<u>94 067</u>



**TSOLWANA MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

		2010 R
	Balance previously reported - Fuel deposit	
	Reallocation of Fuel deposit to Receivables from non-exchange transactions - Refer notes 32.1 and 15	
		5 000
<b>32.10</b>	<b>Cash and Cash Equivalents</b>	<b>5 000</b>
	Balance previously reported - Call Investment Deposits	
	Restatement of balances previously incorrectly disclosed 32.13 and 17	
		13 099 083
		(4 047)
		<b>13 095 037</b>
	Balance previously reported - Cash	
	Reallocation of Fuel deposit to Receivables from non-exchange transactions 32.09 and 17	
		(53 906)
		(5 000)
		(58 906)
		<b>(155 588)</b>
<b>32.11</b>	<b>Investment Properties</b>	
	Balance previously reported - Investment properties	
	Reconstruction of Investment properties - First time recognition of assets - Refer notes 1 and 13	
		45 000
		29 097 900
		<b>29 142 900</b>
	Balance previously reported - Accumulated depreciation	
	Implementation of GRAP 16 as at 30 June 2010	
	Depreciation for the 2009/2010 period	
		582 858
		291 429
		<b>874 287</b>
<b>32.11</b>	<b>Intangible assets</b>	
	Balance previously reported - Accumulated Amortisation	
	Implementation of GRAP 102	
	Amortisation for the 2009/2010 period	
		437
		10 932
		<b>11 369</b>
<b>32.12</b>	<b>Inventory</b>	
	Balance previously reported	
	Recognition of Inventory due to implementation of GRAP 12 - Refer note 13 and 32.13	
		34 288
		15 034
		<b>49 322</b>



**TSOLWANA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

32.13      Accumulated Surplus/(Deficit)	2010 R
Funds disclosed as unspent grants no longer regard as unspent grants - Refer to note 32.01 and 7	114 245 164
Correction on finance lease liability Incorrectly done in the past - prior to 2009/2010 - Refer to note 32.02 and 2	1 236 720
Correction of monies received prior to 2009/2010 disclosed as unidentified - Refer note 32.03 and 6	(7 007)
Correction of monies received during 2008/2009 representing the cash suspense account - Refer to note 32.03 and 6	269 321
Restatement of prior period opening balances - Refer to note 6 and 17	177 493
Restatement of Consumer deposit opening balance - refer note 32.07	(8 150)
Restatement of provision previously included in the Service Authority debtor - refer note 32.08	(2 189)
Reconstruction of Infrastructure assets - Refer to note 32.06	3 628 235
Reconstruction of Land and buildings - Refer to note 32.06	15 291 222
Reconstruction of Community assets - Refer to note 32.06	(68 359 580)
First time recognition of Investment property - Refer note	16 070 500
Restatement of opening balance due to insufficient supporting documentation - Refer note 32.03	29 097 900
Recognition of inventory due to implementation of Grap 12 - Refer note 32.12	63 182
Implementation of GRAP 17 - Accumulated depreciation 30 June 2009	15 034
Implementation of GRAP 16 - Accumulated depreciation 30 June 2009	127 400
Implementation of GRAP 102 - Accumulated amortisation 30 June 2009	(9 429 801)
Total	(582 858)
	<u>(437)</u>
	<u>101 832 149</u>

**33      STATEMENT OF FINANCIAL PERFORMANCE**

Balance previously reported	
Restatement of Income due to monies previously disclosed as unidentified - Refer to note 32.01 and 22	14 036 243
Restatement of prior year loss on disposals - Refer note 30.06	43 923
Restatement of income due to non-clearance of cash suspense - Refer to note 32.02 and 22	327 485
Restatement of finance charges (finance leases) due to incorrect calculations in previous period - Refer note 32.03 and 27	(87 406)
Restatement of Depreciation and amortisation - Refer note	(13 136)
Restatement of general expenditure due to stale cheques - Refer note 30	(5 120 220)
Restatement of Water service authority	2 954
Restatement of Water service authority contribution due to incorrect implementation of Grap 1, 9 and 23	
Restatement of operating expenditure due to incorrect implementation of Grap 1, 9, and 23	
Restatement of employee cost (task implementation) of water and sanitation officials, previously excluded from the municipalities records - Refer note 32.04, 5 and 23	
Restatement of income due to employee cost (task implementation) of water and sanitation officials, previously excluded from the municipalities records - Refer note , and	
Total	
	6 693 439
	(6 693 439)
	(68 647)
	68 647
	<u>9 189 843</u>

34      RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	2011 R	2010 R
Surplus/(Deficit) for the year	2 586 958	9 189 842
<u>Adjustments for:</u>		
Gain on disposal of property, plant and equipment	(28 070)	-
Depreciation and amortisation	5 474 153	5 120 220
Loss on disposal of property, plant and equipment	-	1 637 338
Debt Impairment	2 065 668	(270 577)
Contribution to staff leave	100 080	(212 600)
Contribution to employee bonuses	240 523	47 701
Task implementation	(154 748)	154 748
Contribution from/to employee benefits	325 475	(6 626)
Actuarial Gains	185 258	1 190 443
Operating lease income accrued	(137)	
Operating Surplus/(Deficit) before changes in working capital	10 795 296	16 850 352
Changes in working capital	(5 253 055)	(1 481 808)
Increase/(Decrease) in Trade and Other Payables	17 014	2 430 971
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(1 668 255)	971 638
Increase/(Decrease) in Taxes	(152 172)	(792 950)
(Increase)/Decrease in Inventory	37 477	(49 322)
(Increase)/Decrease in Trade and other receivables	(3 487 120)	(4 042 145)
Cash generated/(absorbed) by operations	<u>5 542 241</u>	<u>15 368 543</u>



**TSOLWANA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

		2011 R	2010 R
35	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 17	8 982 414	13 095 037
	Cash Floats - Note 17	90	90
	Bank other - Note 17	1 450 640	1 226 156
	Bank overdraft - Note 17	(155 124)	(155 678)
	<b>Total cash and cash equivalents</b>	<b>10 278 020</b>	<b>14 165 605</b>
36	<b>RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
	Cash and Cash Equivalents - Note 35	10 278 020	14 165 605
	Less:		
	Unspent Committed Conditional Grants - Note 7	10 278 020	14 165 605
	VAT - Note 8	6 112 966	7 089 786
	<b>Resources available for working capital requirements</b>	<b>4 230 714</b>	<b>5 898 969</b>
		<b>1 882 252</b>	<b>1 190 817</b>
		<b>4 165 055</b>	<b>7 075 819</b>
37	<b>UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
	Long-term Liabilities - Note 2		
	Used to finance property, plant and equipment - at cost	178 485	214 972
		<b>(178 485)</b>	<b>(214 972)</b>
	Cash set aside for the repayment of long-term liabilities	-	-
	Cash invested for repayment of long-term liabilities	-	-
		-	-
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		



**TSOLWANA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

38

**BUDGET COMPARISONS**

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
<b>38.1 Operational</b>				
Revenue by source				
Property Rates	1 123 557	1 040 371	83 186	8%
Government Grants and Subsidies - Capital	9 841 848	11 161 857	(1 320 009)	-12%
Government Grants and Subsidies - Operating	29 920 742	-	29 920 742	100%
Fines	5 741	5 000	741	15%
Service Charges	3 939 648	3 328 000	611 648	18%
Rental of Facilities and Equipment	85 167	56 000	29 167	52%
Interest Earned - external investments	566 958	727 000	(160 042)	-22%
Interest Earned - outstanding debtors	387 951	30 000	357 951	1193%
Water service authority contribution	8 573 365	-	8 573 365	100%
Agency Services	255 081	125 000	130 081	104%
Other Income	208 353	98 700	109 653	111%
Gain on disposal of Property, Plant and Equipment	28 070	252 632	(224 562)	-89%
Expenditure by nature	54 936 481	16 824 560	29 538 556	176%
Employee Related Costs	14 234 772	16 186 361	1 951 589	-12%
Remuneration of Councillors	1 999 330	1 944 500	(54 830)	3%
Debt Impairment	2 065 668	1 002 000	(1 063 668)	106%
Repairs and Maintenance	2 990 070	2 903 500	(86 570)	3%
Actuarial losses	185 258	-	(185 258)	-100%
Finance Charges	30 528	155 000	124 472	-80%
Bulk Purchases	5 370 608	5 800 000	429 392	-7%
Grants and Subsidies	3 231	10 000	6 769	-68%
Operating Grant Expenditure	10 597 313	11 014 940	417 627	-4%
General Expenses	9 398 592	9 190 912	(207 680)	2%
	46 875 370	48 207 213	1 331 843	()
Net Surplus for the year:	<u>8 061 111</u>	<u>-31 382 653</u>	<u>30 870 399</u>	<u>-98%</u>
<b>38.2 Expenditure by Vote</b>				
Municipal Manager	5 433 261	3 917 250	1 516 011	39%
General Council	2 603 706	2 314 500	289 206	12%
Finance & Administration	9 866 595	8 767 818	1 098 777	13%
Administration: Human Resources	3 959 950	3 441 500	518 450	15%
Planning & Development	9 296 434	9 688 138	(391 704)	-4%
Libraries	661 007	611 557	49 450	8%
Cemeteries	158 809	275 966	(117 157)	-42%
Sports & recreation	329 530	731 500	(401 970)	-55%
Public safety	5 631	130 000	(124 369)	-96%
Waste management	2 807 492	1 728 260	1 079 232	62%
Road Transport	1 521 057	1 164 300	356 757	31%
Electricity Distribution	7 893 531	6 928 040	965 491	14%
Water	5 345 896	6 573 442	(1 227 546)	-19%
Sanitation	2 467 643	5 523 942	(3 056 299)	-55%
	<u>52 350 541</u>	<u>51 796 213</u>	<u>554 328</u>	<u>1%</u>



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

39

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

39.1

**Unauthorised expenditure**

Reconciliation of unauthorised expenditure:

	2011 R	2010 R
Opening balance	3 395 598	459 937
Unauthorised expenditure current year - capital	-	510 666
Unauthorised expenditure current year - operating	5 873 374	2 424 994
Written off by council	(3 395 598)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>5 873 374</u>	<u>3 395 598</u>

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	<i>[None]</i>

39.2 **Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

	2011	2010
Opening balance	1 166 822	507 442
Fruitless and wasteful expenditure current year	1 468 433	659 380
Written off by council	(1 171 164)	-
Recovered	(6 757)	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	<u>1 457 335</u>	<u>1 166 822</u>

Incident	Disciplinary steps/criminal proceedings
Salary paid to suspended Technical director for the whole financial year	<i>Employment contract expires 30 September 2011</i>
Interest and penalties on late payment of creditors	<i>Monies was recovered from responsible officials.</i>

39.3 **Irregular expenditure**

Reconciliation of irregular expenditure:

	2011	2010
Opening balance	11 682 176	3 563 007
Irregular expenditure current year	287 876	8 099 169
Written off by council	(11 682 176)	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	<u>287 876</u>	<u>11 682 176</u>



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
39.4	<u>Material Losses</u>		
	Electricity distribution losses		
	- Units purchased (Kwh)		
	- Units lost during distribution (Kwh)	8 766 413	8 238 666
	- Percentage lost during distribution	4 705 969	3 169 548
	- Cost of lost units	46%	38%
	- Benchmark at 15%	1 090 300	-
	- Units lost considered fruitless expenditure	235 393	-
		854 907	-
40	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
40.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>		
	Opening balance		
	Council subscriptions		
	Amount paid - current year	100 000	114 500
	Balance unpaid (included in creditors)	(100 000)	(114 500)
40.2	<u>Audit fees - [MFMA 125 (1)(b)]</u>		
	Opening balance		
	Current year audit fee		
	External Audit - Auditor-General	13 124	-
	Amount paid - current year	3 097 000	1 845 338
	Amount paid - previous year	(3 087 513)	(1 832 214)
	Balance unpaid (included in creditors)	(13 124)	-
		9 487	13 124
40.3	<u>VAT - [MFMA 125 (1)(b)]</u>		
	Amount payable	(237 775)	(389 947)
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
40.4	<u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u>		
	Opening balance		
	Current year payroll deductions and Council Contributions	5 637	5 637
	Amount paid - current year	1 930 072	1 466 071
	Balance unpaid (included in creditors)	(1 935 709)	(1 466 071)
		-	5 637
40.5	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>		
	Opening balance		
	Current year payroll deductions and Council Contributions	3 388 105	1 019 095
	Amount paid - current year	(3 388 105)	(1 019 095)
	Balance unpaid (included in creditors)	-	-
40.6	<u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u>		
	The following Councillors had arrear accounts for more than 90 days as at 30 June 2011:		
		Outstanding more than 90 days	Outstanding more than 90 days
	Councillor I van Heerden	12 563	-
	Total Councillor Arrear Consumer Accounts	12 563	-



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**40.7 Other non-compliance (MFMA 125(2)(e))**

Section 9(b) of the MFMA requires that annually before the start of a financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account should be submitted to the relevant provincial treasury and the Auditor-General in writing. The municipality did not adhere to this section in the current year.

Section 32(4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section.

The municipality did not update their website with all relevant documentation as required by Section 75(2) of the MFMA. The matter has only been addressed after year-end.

		2011 R	2010 R
<b>41 CAPITAL COMMITMENTS</b>			
Commitments in respect of capital expenditure:			
Approved and contracted for:		<u>918 083</u>	<u>4 332 235</u>
Total commitments consist out of the following:			
- Infrastructure		748 187	2 663 168
- Community		169 896	1 669 067
		<u>918 083</u>	<u>4 332 235</u>
This expenditure will be financed from:			
Government Grants		918 083	4 332 235
		<u>918 083</u>	<u>4 332 235</u>

**42 FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.



**TSOLWANA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2010 - 0.5%) Increase in interest rates  
0.5% (2010 - 0.5%) Decrease in interest rates

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 14 and 15 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 14 for balances included in receivables that were re-negotiated for the period under review.

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 14 and 15 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.



**TSOLWANA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2011 R	2010 R
<b>Non-Exchange Receivables</b>		
Rates	2 679 399	2 289 052
<b>Exchange Receivables</b>		
Electricity	2 396 361	515 808
Refuse	2 386 991	2 535 141
Other	904 699	302 307
	<b>5 688 051</b>	<b>3 353 254</b>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:

Receivables from exchange transactions	11 255 259	9 830 491
Receivables from non-exchange transactions	271 651	383 629
Cash and Cash Equivalents	10 433 144	14 321 283
	<b>21 960 053</b>	<b>24 535 403</b>

**(e) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2011	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
	2010	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years
Trade and Other Payables				
Unspent conditional government grants and receipts	1 146 274	-	-	-
Cash and Cash Equivalents	4 230 714	-	-	-
	<b>155 124</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>5 532 112</b>	<b>-</b>	<b>-</b>	<b>-</b>
Trade and Other Payables				
Unspent conditional government grants and receipts	1 136 498	-	-	-
Cash and Cash Equivalents	5 898 969	-	-	-
	<b>155 678</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>7 191 145</b>	<b>-</b>	<b>-</b>	<b>-</b>



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

43	FINANCIAL INSTRUMENTS	2011 R	2010 R																																																				
In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:																																																							
The fair value of financial instruments approximates the amortised costs as reflected below.																																																							
43.1	<table border="0"> <thead> <tr> <th style="text-align: left;"><u>Financial Assets</u></th> <th style="text-align: left;"><u>Classification</u></th> <th style="text-align: right;"></th> <th style="text-align: right;"></th> </tr> </thead> <tbody> <tr> <td><b>Long-term Receivables</b></td> <td></td> <td></td> <td></td></tr> <tr> <td>Receivables</td> <td></td> <td></td> <td></td></tr> <tr> <td>Receivables from exchange transactions</td> <td>Financial instruments at amortised cost</td> <td style="text-align: right;">11 255 259</td> <td style="text-align: right;">9 830 491</td></tr> <tr> <td>Receivables from non-exchange transactions</td> <td>Financial instruments at amortised cost</td> <td style="text-align: right;">271 651</td> <td style="text-align: right;">383 629</td></tr> <tr> <td><b>Short-term Investment Deposits</b></td> <td></td> <td></td> <td></td></tr> <tr> <td>Call Deposits</td> <td>Financial instruments at amortised cost</td> <td style="text-align: right;">8 982 414</td> <td style="text-align: right;">13 095 037</td></tr> <tr> <td><b>Bank Balances and Cash</b></td> <td></td> <td></td> <td></td></tr> <tr> <td>Cash Floats and Advances</td> <td>Financial instruments at amortised cost</td> <td style="text-align: right;">90</td> <td style="text-align: right;">90</td></tr> <tr> <td colspan="2"><b>SUMMARY OF FINANCIAL ASSETS</b></td><td style="text-align: right;"><u>20 509 413</u></td><td style="text-align: right;"><u>23 309 247</u></td></tr> <tr> <td>Financial instruments at amortised cost</td><td></td><td style="text-align: right;">20 509 413</td><td style="text-align: right;">23 309 247</td></tr> <tr> <td>At amortised cost</td><td></td><td style="text-align: right;"><u>20 509 413</u></td><td style="text-align: right;"><u>23 309 247</u></td></tr> </tbody> </table>	<u>Financial Assets</u>	<u>Classification</u>			<b>Long-term Receivables</b>				Receivables				Receivables from exchange transactions	Financial instruments at amortised cost	11 255 259	9 830 491	Receivables from non-exchange transactions	Financial instruments at amortised cost	271 651	383 629	<b>Short-term Investment Deposits</b>				Call Deposits	Financial instruments at amortised cost	8 982 414	13 095 037	<b>Bank Balances and Cash</b>				Cash Floats and Advances	Financial instruments at amortised cost	90	90	<b>SUMMARY OF FINANCIAL ASSETS</b>		<u>20 509 413</u>	<u>23 309 247</u>	Financial instruments at amortised cost		20 509 413	23 309 247	At amortised cost		<u>20 509 413</u>	<u>23 309 247</u>						
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<b>Bank Balances and Cash</b>																																																							
Cash Floats and Advances	Financial instruments at amortised cost	90	90																																																				
<b>SUMMARY OF FINANCIAL ASSETS</b>		<u>20 509 413</u>	<u>23 309 247</u>																																																				
Financial instruments at amortised cost		20 509 413	23 309 247																																																				
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**TSOLWANA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

44	<b>EVENTS AFTER THE REPORTING DATE</b>			
	Sala Pension Fund claimed additional arrear and retrospective pension funds contributions on behalf of members and on the 18th of October 2011 judgement was delivered in the High Court of Grahamstown, confirming that Tsolwana Municipality was in fact legally bound to pay the amount of R157 449.57 and the total estimated cost is R300 000.			
45	<b>IN-KIND DONATIONS AND ASSISTANCE</b>			
	The municipality did not receive any in-kind donations or assistance during the year under review.			
46	<b>PRIVATE PUBLIC PARTNERSHIPS</b>			
	Council has not entered into any private public partnerships during the financial year.			
47	<b>CONTINGENT LIABILITY</b>			
	The following contingent liabilities exist at 30 June 2011:	Claim:	Estimated Total cost:	
	Motor vehicle accident claim There appear reasonable prospects of success in defending the matter.	18 587	30 000	
	Claim by consultants Attorneys expect that this case will die a natural death	771 974	1 200 000	
	Application for Joinder Attorneys expect that this case will die a natural death	-	50 000	
48	<b>CONTINGENT ASSET</b>			
	The following contingent assets exist as at 30 June 2011:	Claim:	Estimated Total cost:	
	A civil claim of damages against a former employee and contractors inclusive of a commercial crimes unit investigation.	-	-	
49	<b>RELATED PARTIES</b>			
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.			
	The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.			
49.1	<b>Related Party Loans</b>			
	Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 1 to the Annual Financial Statements.			
49.2	<b>Compensation of key management personnel</b>			
	The compensation of key management personnel is set out in note 23 to the Annual Financial Statements.			
49.3	<b>Other related party transactions</b>			
	The following purchases were made during the year where Councillors or staff have an interest: <i>None</i>			
50	<b>TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES</b>			
	The municipality utilised the transitional provisions provided for in Directive 4, issued by the Accounting Standards Board, for the prior periods. The municipality is classified by the National Treasury as a low capacity municipality, which chose to early adopt, and as a consequence the municipality must comply with all the GRAP Standards applicable at the reporting date.			
50.1	<b>GRAP 17 - Property, Plant and Equipment</b>			
	Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively. Refer to note 9 for all detail			
50.2	<b>GRAP 102 - Intangible Assets</b>			
	Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively. Refer to note 11 for detail			
50.3	<b>GRAP 12 - Inventories</b>			
	Since the previous reporting date the following inventories were measured in accordance with GRAP 12 and restated retrospectively. Refer to note 12 for detail			



TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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TSOLWANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

50.4 GRAP 16 - Investment Properties

Since the previous reporting date the following Investment Properties were measured in accordance with GRAP 16 and restated retrospectively. Refer to note 10 for detail.



**APPENDIX A - Unaudited  
TSOLWANA LOCAL MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

<b>EXTERNAL LOANS</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 JUNE 2010</b>	<b>Correction</b>	<b>Balance at 30 JUNE 2010 Restated</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 JUNE 2011</b>
<b>LEASE LIABILITY</b>								
Fintech	001-844535-1-15	31/12/2014	60 021	6 737	66 758	-	8 131	58 627
Fintech	001-795340-1-15	31/01/2014	120 727	11 907	132 634	-	25 324	107 310
Fintech	001-795340-2-15	31/01/2014	14 418	1 163	15 580	-	3 032	12 548
<b>Total Lease Liabilities</b>			<b>195 165</b>	<b>19 807</b>	<b>214 972</b>	-	<b>36 487</b>	<b>178 485</b>
<b>TOTAL EXTERNAL LOANS</b>			<b>195 165</b>	<b>19 807</b>	<b>214 972</b>	-	<b>36 487</b>	<b>178 485</b>



**APPENDIX B - Unaudited**  
**TSOLWANA LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**  
**MUNICIPAL VOTES CLASSIFICATION**

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
2 200 885	(4 054 728)	(1 853 843)	Municipal Manager	1 343 707	(5 433 261)	(4 089 554)
2 343 478	(1 956 278)	387 200	General Council	2 284 500	(2 603 706)	(319 206)
6 188 692	(5 921 740)	266 952	Finance & Administration	10 462 649	(9 866 595)	596 054
4 213 642	(3 143 148)	1 070 494	Administration: Human Resources	4 057 178	(3 959 950)	97 228
26 999 184	(26 930 990)	68 194	Planning & Development	8 343 271	(9 296 434)	(953 163)
-	(350 531)	(350 531)	Libraries	399 207	(661 007)	(261 800)
234 337	(123 489)	110 848	Cemeteries	164 830	(158 809)	6 021
2 511 856	(337 570)	2 174 286	Sports & recreation	5 295 984	(329 530)	4 966 454
102 988	(1 828)	101 160	Public safety	260 822	(5 631)	255 191
2 297 295	(1 421 022)	876 274	Waste management	2 625 879	(2 807 492)	(181 613)
3 810 935	(37 368)	3 773 567	Road Transport	2 695 161	(1 521 057)	1 174 104
12 056 555	(9 491 315)	2 565 241	Electricity Distribution	9 139 004	(7 893 531)	1 245 473
2 635 977	(2 635 977)	-	Water	5 398 272	(5 345 896)	52 376
4 057 463	(4 057 463)	-	Sanitation	2 467 036	(2 467 643)	(606)
69 653 287	(60 463 445)	9 189 842	Sub Total	54 937 499	(52 350 541)	2 586 958
-	-	-		-	-	-
69 653 287	(60 463 445)	9 189 842	Total	54 937 499	(52 350 541)	2 586 958



**APPENDIX C - Unaudited**  
**TSOLWANA LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
4 544 363	(6 011 006)	(1 466 643)	Executive & Council	3 628 207	(8 036 967)	(4 408 760)
6 188 692	(5 921 740)	266 952	Budget & Treasury	10 462 649	(9 866 595)	596 054
4 213 642	(3 143 148)	1 070 494	Corporate Services	4 057 178	(3 959 950)	97 228
29 848 365	(27 744 407)	2 103 958	Community & Social services	14 464 113	(10 451 411)	4 012 703
18 164 786	(10 949 705)	7 215 082	Technical services	22 325 352	(20 035 619)	2 289 733
62 959 848	(49 045 917)	9 189 842	Total	54 936 480	(52 350 541)	2 586 958



**APPENDIX D - Unaudited  
TSOLWANA LOCAL MUNICIPALITY  
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2010	Correction of error	Balance 1 JULY 2010	Grants Received	Operating Expenditure during the year	Capital Expenditure during the year	Balance 30 June 2011
	R	R	R	R	R	R	R
<b>UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS</b>							
<b>National Government Grants</b>							
Equitable Share	-	-	-	19 030 869	19 030 869	-	-
Local Government Financial Management Grant	-	-	-	3 000 000	3 000 000	-	-
Integrated National Electrification Programme (Eskom) Grant - DME Projects	2 513 481	-	2 513 481	-	-	2 508 793	4 689
Municipal Infrastructure Grant	2 513 481	-	2 513 481	-	-	2 508 793	4 689
Municipal Systems Improvement Grant	1 207 831	-	1 207 831	8 007 000	399 940	7 034 473	1 780 419
Total National Government Grants	113 513	-	113 513	750 000	855 131	-	8 382
	3 834 826	-	3 834 826	30 787 869	23 285 940	9 543 266	1 793 490
<b>Provincial Government Grants</b>							
Project Library	-	-	-	399 207	399 207	-	-
Other Housing monies	1 001 653	-	1 001 653	-	-	-	-
1400 Thornhill Housing	21 263	-	21 263	1 157 550	1 115 550	-	63 264
671 Tarkastad Housing	116 813	-	116 813	133 004	120 371	-	129 446
1000 Tarkastad Housing	127 537	-	127 537	3 228 162	3 079 447	-	276 252
1000 Hofmeyer Housing	177 100	-	177 100	1 196 497	1 238 175	-	135 422
Total Provincial Government Grants	1 444 367	-	1 444 367	6 114 420	5 952 719	-	1 606 037
<b>District Municipality Grants</b>							
Rehabilitation of internal roads	109 274	-	109 274	298 582	-	298 582	109 274
Indigent funding	-	-	-	-	-	-	-
Tendergate Goat Project	-	-	-	242 264	233 852	-	8 411
Total District Municipality Grants	109 274	-	109 274	540 846	233 852	298 582	117 685
<b>Other Grant Providers</b>							
HIV assistance	-	-	-	-	-	-	-
Other	(0)	-	(0)	-	-	-	(0)
HR Related projects	173 590	-	173 590	-	-	-	173 590
Valuations	146 987	-	146 987	-	-	-	146 987
Mapping project	55 145	-	55 145	-	-	-	55 145
Schaapkraal project	112 697	-	112 697	-	-	-	112 697
LED project: Vlekpoort	22 083	-	22 083	-	-	-	22 083
LED project: Other	-	-	-	53 000	-	-	53 000
Voting station	-	-	-	150 000	-	-	150 000
EPWP grant	-	-	-	448 200	448 200	-	-
Total Other Grant Providers	510 502	-	510 502	651 200	448 200	-	713 502
<b>Total</b>	<b>5 898 969</b>	<b>-</b>	<b>5 898 969</b>	<b>38 094 334</b>	<b>29 920 742</b>	<b>9 841 848</b>	<b>4 230 714</b>



**APPENDIX D - Unaudited  
TSOLWANA LOCAL MUNICIPALITY  
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2010	Correction of error	Balance 1 JULY 2009	Grants Received	Write Offs/ Transfers/ Interest	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 1 JULY 2010
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	R	R	R	R	R	R	R	R
<b>National Government Grants</b>								
Equitable Share								
Local Government Financial Management Grant	65 399	-	65 399	15 627 893	-	15 627 893	-	-
Integrated National Electrification Programme (Eskom) Grant	-	-	-	2 750 000	-	2 359 936	455 463	-
- DME Projects	-	-	-	7 500 000	-	-	4 986 519	2 513 481
Municipal Infrastructure Grant	50 925	-	50 925	7 012 000	-	-	4 986 519	2 513 481
Municipal Systems Improvement Grant	58 839	-	58 839	735 000	-	235 437	5 619 657	1 207 831
Total National Government Grants	175 163	-	175 163	33 624 893	-	680 325	-	113 513
<b>Provincial Government Grants</b>								
Project Library	1 043 288	(66 418)	976 870	48 150	27 707	51 074	-	-
Other Housing monies	3 249	-	3 249	4 697 116	554	4 679 656	-	1 001 653
1400 Thornhill Housing	26 189	-	26 189	4 827 025	3 576	4 739 978	-	21 263
671 Tarkastad Housing	80 838	-	88 838	6 726 895	1 892	6 690 088	-	116 813
1000 Tarkastad Housing	31 030	66 418	97 448	8 730 357	5 890	8 656 594	-	127 537
Total Provincial Government Grants	1 192 594	-	1 192 594	25 029 543	39 620	24 817 390	-	177 100
<b>District Municipality Grants</b>								
Rehabilitation of internal roads	-	-	-	1 516 345	-	-	1 407 071	109 274
Indigent funding	-	-	-	600 000	-	600 000	-	-
Total District Municipality Grants	-	-	-	2 116 345	-	600 000	1 407 071	109 274
<b>Other Grant Providers</b>								
HIV assistance	1 281 397	(1 236 720)	44 677	120 000	-	120 000	-	-
Other	173 590	-	173 590	-	-	35 611	9 067	(0)
HR Related projects	146 987	-	146 987	-	-	-	-	173 590
Valuations	583 649	-	583 649	-	-	-	-	146 987
Mapping project	112 697	-	112 697	-	-	528 504	-	55 145
Schaapkraal project	24 533	-	24 533	-	-	2 450	-	112 697
LED project: Vleekpoort	-	-	-	-	-	-	-	22 083
Total Other Grant Providers	2 322 854	(1 236 720)	1 086 134	120 000	-	686 565	9 067	510 502
<b>Total</b>	<b>3 690 611</b>	<b>(1 236 720)</b>	<b>2 453 891</b>	<b>60 890 781</b>	<b>39 620</b>	<b>45 007 546</b>	<b>12 477 777</b>	<b>5 898 969</b>



**MINUTES OF THE AUDIT COMMITTEE  
MEETINGS 2010/11 FINANCIAL YEAR**



## TSOLWANA MUNICIPALITY

MINUTES OF THE TSOLWANA AUDIT COMMITTEE MEETING HELD IN THE COUNCIL CHAMBER ON THURSDAY 26<sup>th</sup> AUGUST 2010 AT 12:00.

### 1. OPEN AND WELCOME

The chairperson opened the meeting and welcomed all present

### 2. APOLOGIES

An apology was received from the Mayor, she attended another meeting

### 3. CONFIRMATION OF THE AGENDA

The agenda was confirmed

### 4. CONFIRMATION OF PREVIOUS MINUTES

Minutes of the previous meeting were confirmed as reflecting true records of the previous meeting.

### 5. MATTERS ARISING

#### ➤ SUPPLY CHAIN OFFICER

The CFO reported that the Supply Chain Officer has now been appointed with the support staff and that the unit is functioning now

#### ➤ LAND FILL SITE

The Municipal Manager reported that the consultant has been appointed and will split the project in two phases. The first phase will be quicker in that other necessary information is already available.

Resolved, that a provision in the AFS will need to be made for this.

### INTERNAL AUDIT REPORTS

#### SUPPLY CHAIN REPORT

The CFO advised that the audit charter needs to be revised.

The Municipal Manager (MM) reported that there has been action on some of the issues raised therein. The Internal Auditor raised concern with regards to Turn Around Time (TAT)  
Resolved that

The TAT for issues raised in the internal audit be two weeks

A follow up will be done on the implementation of recommendations of the report

### HUMAN RESOURCES REPORT

The major issue here was an improvement that needed to be effected on the leave application form.



## **INTERNAL AUDIT PLAN**

The MM reported that they had conducted a check likely risks and he pointed out that in his view risks 5& 8 should not have been regarded as high risk. He further stated that in the IDP they don't put a wish list as there are departments who do not honour their commitments

### **PLAN**

The CFO advised that he needs to work with the (IA) to look at what projects should we concentrate on as there might be budget constraints

Resolved

that the MM must talk to the DM and see how much they can fund and how much can we fund ourselves with.

That the plan must be discussed with the MM before it can be discussed by the audit committee

## **ANNUAL FINANCIAL STATEMENTS**

The CFO presented the AFS and expressed appreciation of any input by all members but they need to bear in mind that the submission date is 31 August 2010.08.

The AFS relates to the financial position of the municipality as at 30 June 2010.

The CFO reminded the meeting of the following issues:

That we are not dealing with depreciation

20% provision is made for medical aid benefits

## **UNSPENT CONDITIONAL GRANTS**

The CCFO advised that once the unspent amount grows it is an indication that something is no going right. A meeting was underway at the same time as this one around this issue.

The MM reported that the grant will be fully utilised by the end of September.

A meeting was held with the Department of Human Settlement that unspent funds will be consolidated and utilised. All projects may be finished by the end of September even though in some areas no value for money has been created.

## **DEBTORS**

The CFO reported the following;

- there are no write offs for this year
- all write offs will need to be considered by council
- Provision has been made for bad debt
- But that they also need to do data cleansing

The meeting sought to know if the provision for bad debt was sufficient and it was responded that it is per individual debtor. The CFO further reported that it was only government departments that were not provided for as their debt is recoverable.

### **5.1. CASH FLOW STATEMENTS**

The CFO reported that

- There will be more additions in the year and it ties up with our asset register
- Housing creates problems for the municipality as they deposit large sums of money for their projects and the municipality is audited on their money and they do not contribute towards that.

### **5.2. UNIDENTIFIED INCOME**

The problem of unidentified income has been persistently going on and needs to be rectified.



- RESOLVED THAT**
- The municipality needs to request national treasury to regulate what must be done where the money has been in the account for more than twelve months.
- That the municipality needs to have a policy on this.
- REGULAR EXPENDITURE**
- This needs to be tabbed before council
- The following issues were raised
- Late payment on Eskom account - interest
  - Tax clearance was received from SARS and we are now in order with them
  - Losses on electricity - this can be big and we checked by reconciling purchases against sales and any discrepancies will be regarded as loss
  - The signing of the SLA with the DM on Disaster and Waste Management
  - ↳ This was mainly because of lack of cooperation from the DM
  - ↳ Housing Sector Plan: why is there such a discrepancy in the number of houses built as against the target. Housing is the function of the province and they engage their own service providers which they monitor on their own.
- CLOSURE**
- The Chairperson declared the meeting closed and thanked all for contributions and attendance.
- CONFIRMATION**
- .....  
Chairperson  
.....
- DATE .....  
28/04/09



TSOLMANIA BIOCERICALITY

ATTENDANCE REGISTER

Audit committee meeting held in the council chamber on the 26 August 2010  
at 11h00



Items	Discussions and Decisions
1. ACT as Internal Audit	<p>1.1 Discussion of the ACT Report follow up report</p> <p>1.2 Action plan should be specific, and based on issues raised.</p> <p>1.3 Issues raised in the previous audit report should be discussed, if not, should be readdressed as an area of priority.</p> <p>1.4 Request the Almighty Allah manager to write a letter to the AIEC to act against backsliding, ressources to clear out sort out any losses resulted.</p> <p>1.5 Discussion of the financial management review for the 2011 financial year.</p>
2. Plaans and Responsibility	<p>2.1 Plans should be in line with the responsibilities.</p>
3. Training of managers	<p>3.1 Rotation training of Almighty Allah managers and Senior &amp; Middle Managers.</p>
4. Learning and development	<p>4.1 Long lasting training duration should not be needed and instead short midas should be put in place to develop the skills for the next round.</p> <p>4.2 Encouraged proper procedures should be followed and then the new skill will be adopted.</p> <p>4.3 Encourage members who want to learn a certain skill should be provided the opportunity to do so.</p>
5. Creditors	<p>5.1 Encourage members who want to learn a certain skill should be provided the opportunity to do so.</p>
6. Bid Specification	<p>6.1 Follow the checklist as the regard to Bid Specification, and then bid process as to follow and</p> <p>6.2 To ensure there are Supply Chain Management procedures to follow and</p> <p>6.3 To ensure the bid specification is aligned to Bid Specification, and then bid process as to follow and</p>
7. Supply Chain	<p>7.1 Supply chain</p>
8. Bid Adjudication	<p>8.1 Bid Adjudication</p>

AGENDA

**OPE NING:** (Chairman welcomed all the members. In his introduction he gave a brief synopsis of the circumstances of the meeting.

APPLIED

1. ZC Naxalo (Corporate Service Manager)
  2. MI Sifqaza (Community Services Manager)
  3. Gerald De Jager (CEO)
  4. Arion Tj (Audit Committee)
  5. Similio Dayi (Multipli Manager)
  6. Elmon Malabebula (Internal Audit)
  7. Mpaho Nkowane (Internal Audit)
  8. Sindiswa Nyaba (Department of Local Government)

APPENDIX

DATE: 14 February 2011

CRADOC

MINUTES OF THE MEETING: AUDIT COMMITTEE MEETING HELD AT

#### ADULT COURTESY MAILING



NAME	DESIGNATION	CONTACT NO.	SIGNATURE
LAWA	LA LA LA	09876543210	LAWA
WALA	WALA	09876543209	WALA
GA	GA	09876543208	GA
SAI	MURARAI MURARAI	0795166440	SAI

AUDIT COMMITTEE MEETING HELD ON WEDNESDAY, 08 DECEMBER 2010  
AT INXUBA VETHEMBA MUNICIPALITY AT 09H00

ATTENDANCE REGISTER

# TSON WANA MUNICIPALITY



VENDA

**SING:** *Churnman welcome all the members. In his introduction he gave a brief synopsis of the circumstances of the meeting.*

OPENING

INTRODUCTION

1. ZC Nasano (Corporate Service Manager)
  2. M Sifazza (Community Services Manager)
  3. Gerald De Wet (Audit Committee)
  4. Action Tj De Jager (CFO)
  5. Similo Dayi (Vice-Chairman)
  6. Elmon Mathebula (Internal Audit)
  7. Mpheko Nkowane (Internal Audit)
  8. Sindiswa Nyaba (Department of Local Government)

VITIENDA(1)

DATE: 14 February 2011

CRADOCK

RESULTS OF THE MEETING: AUDIT COMMITTEE MEETING HELD AT

#### ADBT COMMITTEE MEETING



## AUDIT COMMITTEE MEETING

9. Human Resources	g. The Human Resources budget report was presented by the Head and Audit Internal Audit report should be given to this effect.
10. Performance Report	f. Discussion of the performance information report i.e., there should be a demand on how to collect, review and approve performance information
11. Responsibility of the Corporate Services Manager	l. The Corporate Services Manager should properly put together all the relevant documentation
12. Suspense Account	j. The chairman should be called on a timely basis.

**CLOSING:** This meeting was formally closed and Chairman gave a short briefing about the issues discussed in the meeting and the resolutions that were taken.

Date: 30/12/2018



Chairman



MINUTES OF THE ISOLWANA MUNICIPALITY AUDIT COMMITTEE, HELD IN THE COUNCIL CHAMBER ON MONDAY 6<sup>TH</sup> JUNE 2011 AT 10:00

1. OPENING AND WELCOME  
The chairperson welcomed all present and was concerned that another member of the audit committee Mrs De Wet was about to relocate to the Western Cape but would inform us when the time comes

2. APPLICATION FOR LEAVE OF ABSENCE  
Mr Dayi, Municipal Manager, who was away on council business

3. CONFIRMATION OF THE AGENDA  
The meeting resolved to adopt the agenda

4. CONFIRMATION OF PREVIOUS MINUTES : 14 FEBRUARY 2011  
The minute of the meeting of the 12<sup>th</sup> February were confirmed as the true reflection of the proceedings of the meeting.

5. MATTERS ARISING FROM THE MINUTES  
The only issue to be clarified was item 11 which referred to the Corporate Services to put all relevant documentation, but it was not clear what documentation was referred to.

6. PERFORMANCE REPORT MARCH 2011 Annexure A  
The performance report was tabled by Mr De Jager, the committee sought to know whether it

was not causing any problems that the community services manager was also performing duties of the technical services.

Resolved that the report be accepted

7. PROGRESS REPORT WITH ACTION PLAN ON ISSUES RAISED BY THE AG 2010  
Mr. De Jager reported that an action plan has been developed to deal with issues raised in the AG report. The committee expressed emphasis on the fact that they need to be regularly updated on the progress of implementation of the action plan.

8. RISK IDENTIFICATION AND MANAGEMENT THEREOF  
Resolved that the audit committee report be made in the next meeting of the audit committee

Mr. De Jager reported to the meeting that a workshop was held to identify risks inherent in the municipality. The committee sought to know if there are any measures to reduce those risks. The response was that in the workshop discussion were also held in relation as to what are the most likely risks to happen and that where would they originate and that plans to reduce them were also discussed there.

Resolved that this be accepted

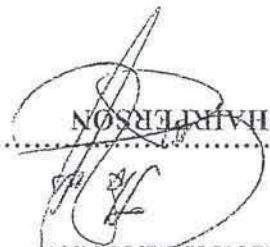


9. INTERNAL CONTROLS  
The CFO reported on the progress in relation to implementation of internal controls within the municipality and how effective are they.

#### 10. CLOSURE

The chairperson declared the meeting closed and thanked everyone for their attendance and participation.

DATE .....  
28.03.2011

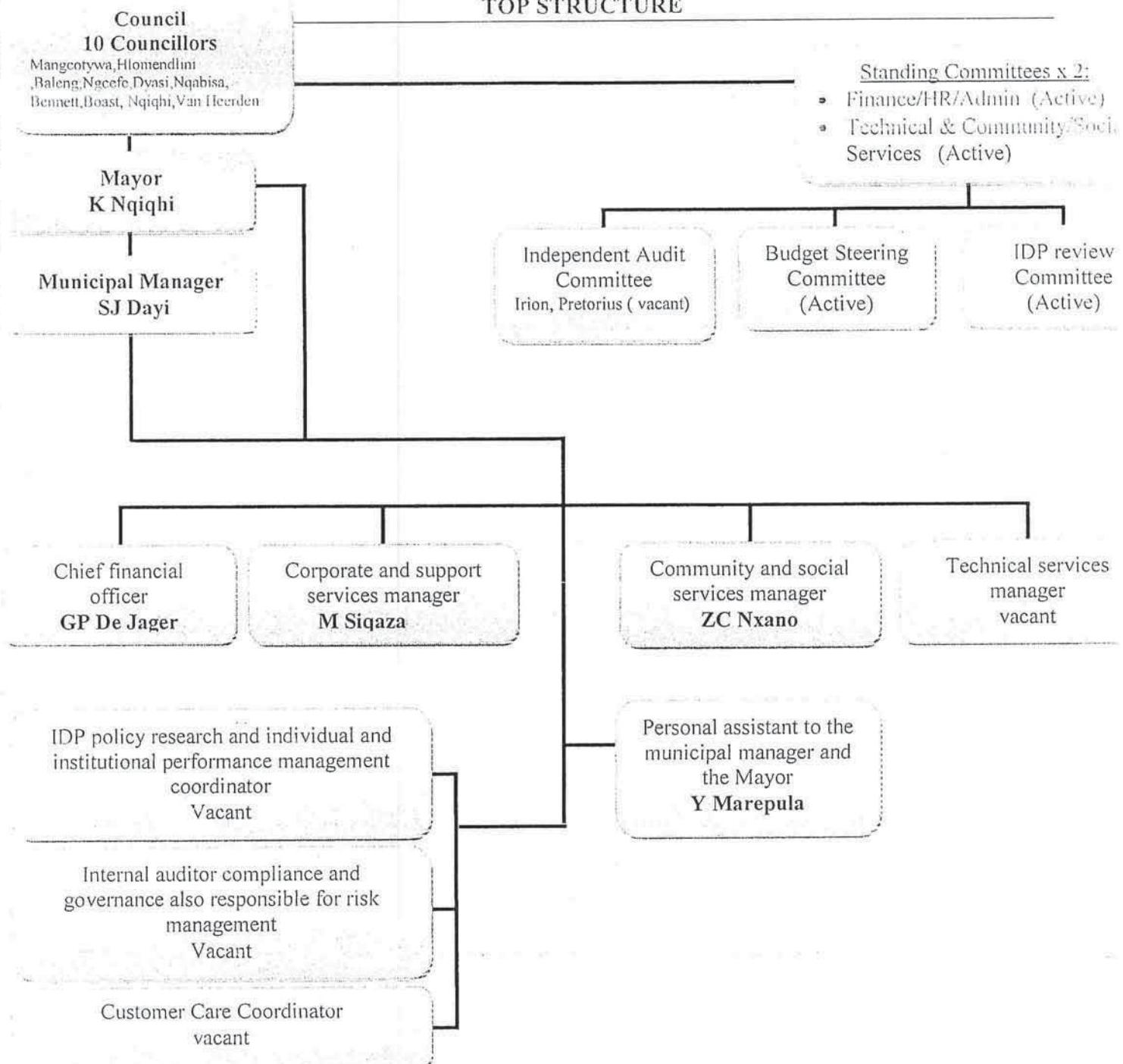
CONFIRMATION  
  
CHARLIE RISON



# **APPROVED MUNICIPAL STRUCTURE**

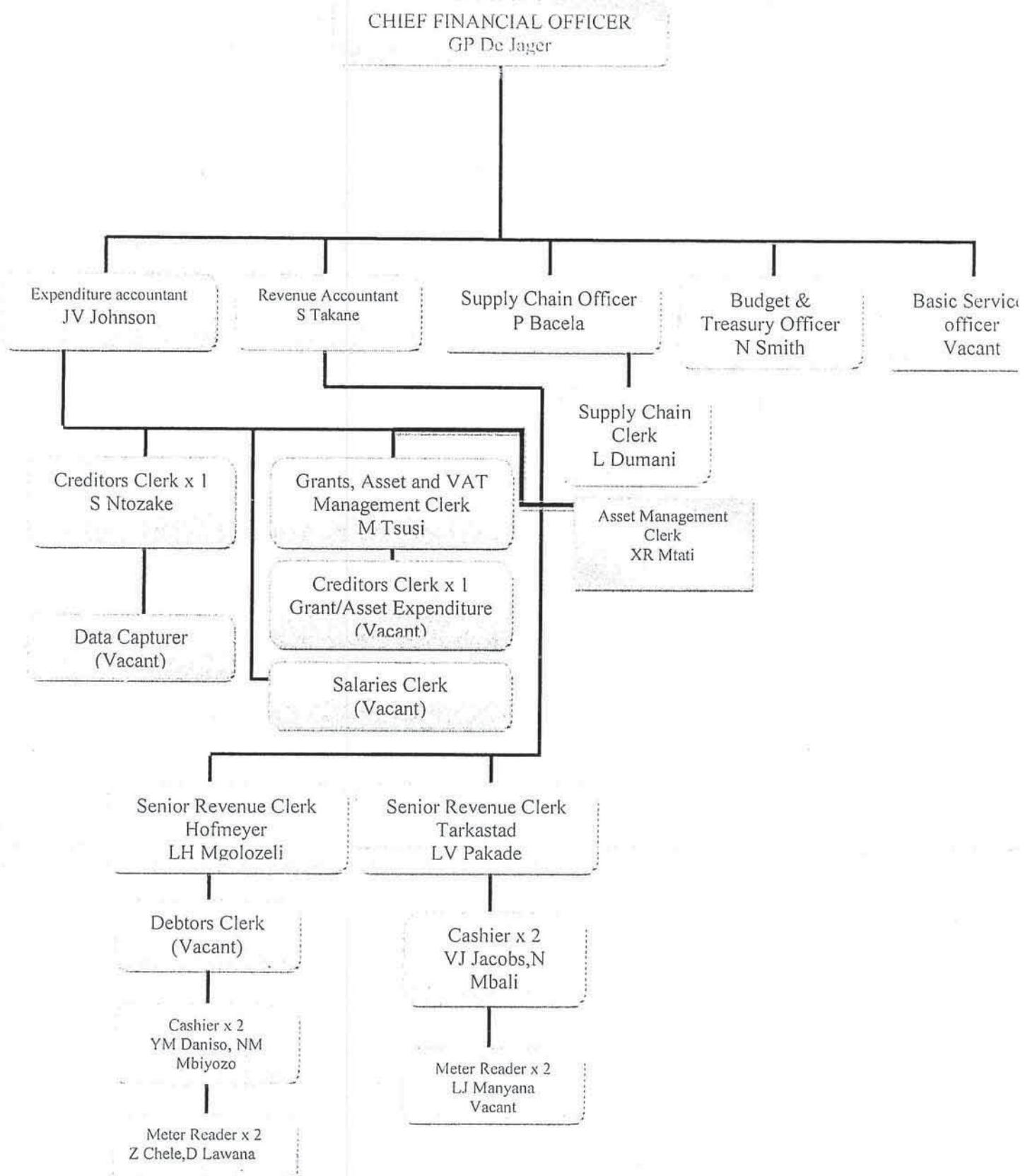


## TOP STRUCTURE



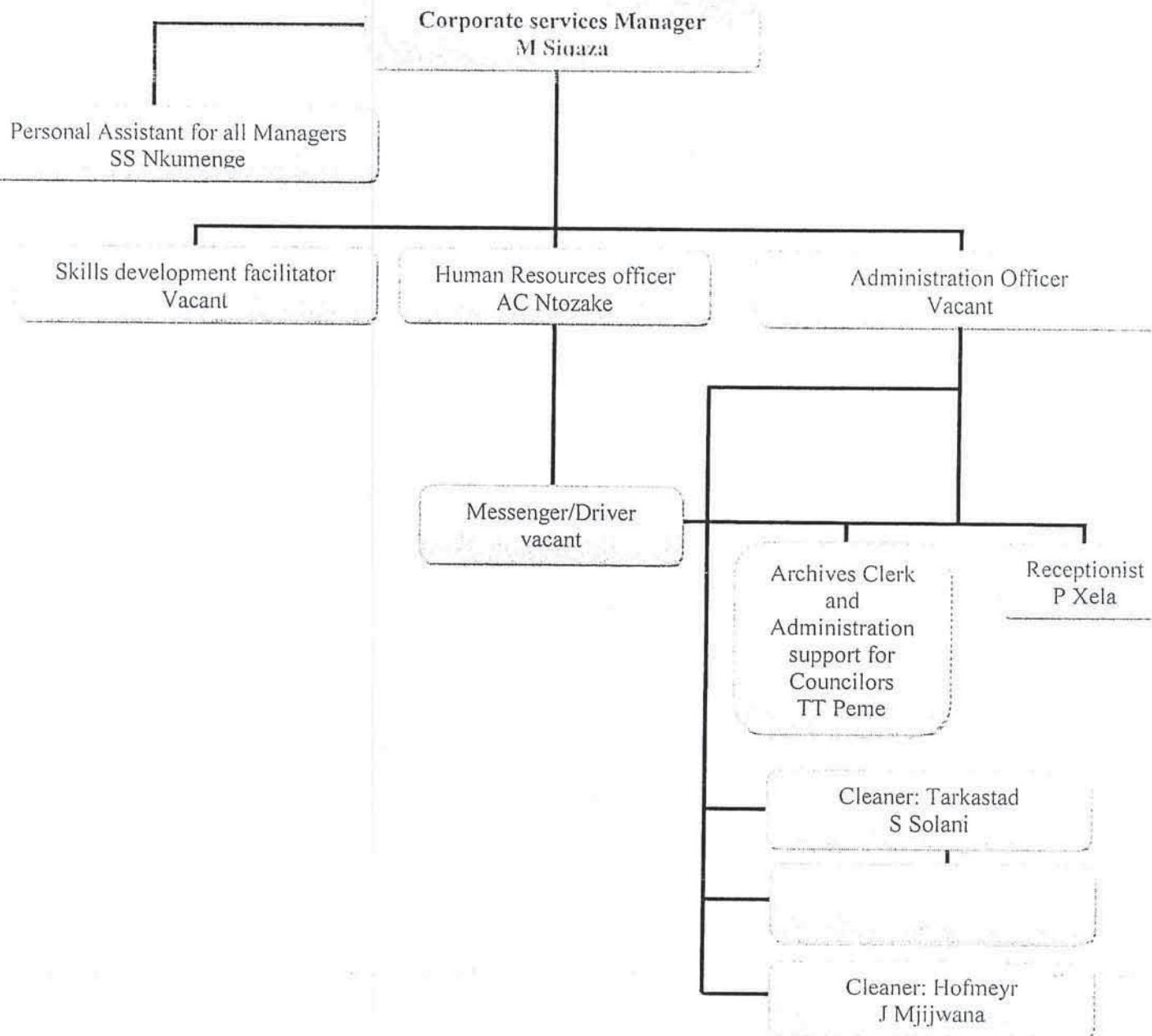


## BUDGET & TREASURY OFFICE





## CORPORATE SERVICES





## COMMUNITY SERVICES

Community & Social Services Manager  
ZC Nxano

Land & Estate Officer  
BE Mani

Development Officer  
VS Qashosho

Librarian Officer  
Vacant

Assistant 1  
BB Gqibisa

Assistant 2  
R Du Pont

HIV/AIDS Field  
Worker  
Ncebakazi Namntu

SPU  
Coordinator  
MA Thomas

Business Development,  
SMME and Tourism  
Coordinator  
T Moletsane

Agricultural  
Coordinator  
TK Takane

Foremen x 2 (Hofmeyer &  
Tarkastad)  
B Petersen: Tarkastad  
J Smith: Hofmeyr

Agricultural  
Specialist  
Vacant

Security Officers x 4  
TC Koli  
3 vacant

Drivers x 4  
SP Ntwanambi,  
,X. Patu, S Nxano, M  
Awu

General Workers x  
M.Notwala,PNdzakayi,L.Witbooi,T.Du  
kiso,Z.Dyan, Z Jacobs ,A.Mariema VE  
Peme, B Mqikela,B Lisa, H Phikani,  
LMbengwana, Z Sibozo, T Mzola, K  
Booi, N Mboko,N.Cabanga,N Mbeleni,  
S.Mtwazi,A Sintu, M Ndamane, S  
Smith M Melula

Pound Master

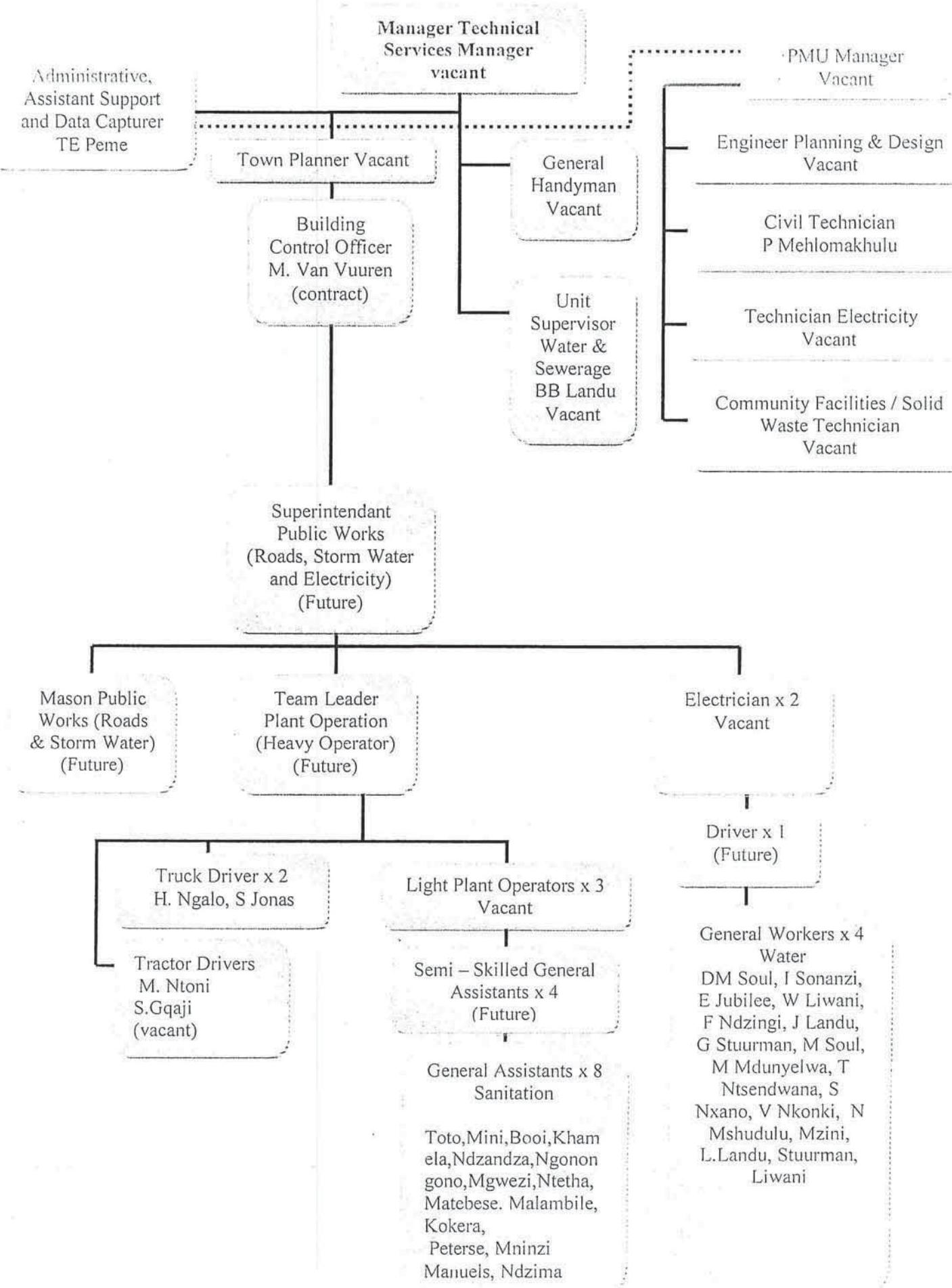
General Workers x 8  
(Future)

Caretakers for Community Halls x 5  
(Vacant)

Pound Master  
Vacant



## TECHNICAL SERVICES MANAGER





## COUNCIL APPROVAL

The 2010/11 Financial Year report was tabled before the council in a Special Council meeting that was held on the 30 January 2012. The council resolved to refer the document back in order to allow enough time for thorough discussion and public consultation processes.

SIGNED:

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ACTING MAYOR

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MUNICIPAL MANAGER

.....

DATE

.....

DATE

